HLABISA MUNICIPALITY – KZ 274

UMKHANDLU WAKWA-HLABISA

2007/2008

ANNUAL REPORT

"Rural Service Delivery Excellence"

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1 INTRODUCTION AND OVERVIEW

1.1 MAYOR'S FOREWORD

It is a pleasure to present the 2007/2008 Annual Report of Hlabisa Municipality. And again this was a very challenging year where the municipality got a qualified audit report. As a rural municipality, we are still facing an ever-increasing challenge of obtaining revenue to finance various projects as identified in the IDP.

Our main objective is to become a developmentally oriented municipality as the legislation prescribes. We also aim to further align the resources and capacity of the municipality with the implementation of the IDP which will form the policy framework and general basis on which the annual budget and performance management system is based. The purpose of this annual report is to increase accountability to the communities that are served by the political and administrative functions of the municipality. It is encouraging to see that each year we are improving as a municipality in the way we are delivering our services. In the 2007/2008 financial year, there are many notable achievements that we are proud of. To strengthen our public participation, we were able to establish Local Aids Council, Women Forum, Youth Forum, Minister's Forum and forums for people living with disabilities.

I wish to pledge my commitment that as a municipality, we will continue to serve our communities and ensure that their needs are always satisfied. I wish to thank all councillors, municipal manager and his team of directors and staff for their support and effort during the 2007/2008 financial year.

.....

Cllr B. Ntombela
Mayor of Hlabisa Municipality

31/01/2009

Date

1.2 OVERVIEW OF THE MUNICIPALITY

1.2.1 Location and Social Issues

Hlabisa Municipality falls within uMkhanyakude District Municipality in KwaZulu Natal and is one of the Municipalities that were established in 2000. Its jurisdiction covers Hlabisa Town and four Traditional Areas of Mpukunyoni, Mpembeni, Mdletsheni and Matshamnyama. Its Council strives to provide quality and sustainable services to all its communities and to develop its places optimally. The municipality covers an area of 1 417km² made up of 19 wards. The 2001 census indicates that there are 176 890 people who are residents of Hlabisa municipality. Hlabisa municipality constitute about 34% of the total District population and 10.2% of the District area.

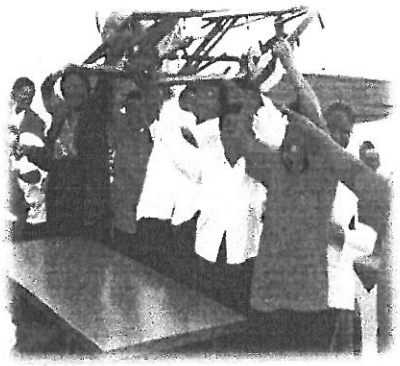
The 2001 census indicates that the number of households in Hlabisa are estimated at 27 272. Most of the households (34%) consist of four – six members, followed by seven – nine members (27%), then one – three members (23%) and lastly ten and over (17%). There are very few households with more than ten members.

The income profile of Hlabisa Local Municipality indicates that 26% percent of the households has no secured source of income, 23% earns between R4 801 and R9 600 per annum, followed by 18 % earning between R9 601 and R19 200, then 12% earns less than R5 000 per annum. Only 21% of the community earns more than R19 000 a year, which is less than R2 000 per month.

1.3 EXECUTIVE SUMMARY

1.3.1 Municipal Vision and Mission

The vision for Hlabisa Municipality is "Halve poverty by 2015 through cooperativeness and efficient utilization of scarce resources" and our motto is "Rural Service Delivery Excellence".



Our mission is:

- Sustainable local economic development
- Positioning the municipality as a vibrant gateway to the Elephant Coast and Hluhluwe-Umfolozi Game Park
- Encouraging active community participation in development and
- Equitable and improved service delivery

1.3.2 Municipal Strategic Objectives and Core Values

The following long-term development goals have been identified based on the vision and mission of the municipality:

- To build an efficient and sustainable local government structure.
- To promote an equitable access to infrastructure and basic services.
- To create a conducive environment for a sustainable social and economic development.
- To promote sustainable and integrated land use pattern.

The Municipal Strategic Objectives were developed in line with the Integrated Development Plan and can be summarized as follows:

- To facilitate the delivery of basic services
- To provide services in an efficient and effective manner
- To create sustainable settlements
- To create a climate conducive for sustainable economic growth and job creation
- To promote social development

Our core values are:

- Ubuntu
- Integrity
- Cooperation
- Transparency
- Innovativeness

The municipal budget was aligned to IDP, although there is still a huge challenge in sourcing funds for the implementation of certain projects prioritised in the IDP. The municipality has not taken any loans to fund its capital budget, but Revenue Raising Strategies need to be developed for the municipality to generate revenue to finance its projects. Currently the financial reality is that the municipality is reliant on grant funding for operating and capital needs.

1.3.3 IDP Priorities

The Municipal IDP shows the following as the most urgent needs of the community which need to be addressed in order of their priority:

- Water and sanitation
- Electricity
- Community halls and facilities
- Sports fields
- Roads, bridges and storm water

1.3.4 Performance Management

The Municipal Systems Act requires that all municipalities develop and implement a Performance Management System (PMS), which includes the setting of performance targets and indicators, monitoring and review. PMS is a management tool that assists the municipality to improve service delivery by directing the efforts of the departments and available resources to meet performance targets to ensure that strategic objectives set in the Integrated Development Plan are achieved. Hlabisa Municipality compiled its first Annual Performance Report in 2007/2008 financial year. The Annual Performance Report will form part of the Annual Report that will be published in terms of Section 127(5)(a) of the Municipal Finance Management Act. The implementation of the PMS took the form of assessing performance at an organisational level, departmental level through the Service Delivery and Budget Implementation Plans and section 57 Performance Agreements. The Service Delivery and Budget Implementation Plan Reports were prepared quarterly and submitted to Council in order to assess performance during year.

2 PERFORMANCE HIGHLIGHTS

2.1 Basic Information

The majority of Hlabisa Municipality population resides in rural villages scattered throughout the municipal area, particularly traditional authority areas. The population within Hlabisa Local Municipality is distributed unevenly among the nineteen municipal wards with ward 16 being the most populated one. The majority (91%) of the population have no access to any mode of transport, they travel by foot. This is followed by 6%, who uses a vehicle as a passenger, and only 1% drives a car, and another 1% uses either a bicycle or motorcycle.

2.2 Services Provided by the municipality

The municipality only provides refuse removal in the Hlabisa town area. The plan is being developed to extend this kind of service to main areas identified as developmental nodes.

The municipality collected about 11% of the total revenue due. This means that the municipality cannot cover its costs of providing services since the collection period is more than 120 days. As a result the Provincial Department of Local Government and Traditional Affairs has introduced a project on Debt Management and Credit Control for uMkhanyakude Municipalities as a shared services which aims at assisting these municipalities to collect outstanding revenue.

2.3 Backlogs

Refuse Removal

Hlabisa Municipality is not well provided with refuse removal facilities. About 75% of the community have their own refuse dump, which is not provided by the municipality, 21% has no disposal, and 3% have its disposal removed by the municipality either once or twice a week.

Sanitation

The majority (47%) of people living in Hlabisa area does not have any form of sanitation. This is followed by 23% who uses Pit Latrines, without ventilation, then 14% have pit latrines with ventilation.

Water

Access to water is one of the key challenges facing Hlabisa Municipality as the majority of people do not have water in accordance with the standards as set by the Department of Water Affairs and Forestry. The nature of backlog includes the lack of extensive use of boreholes and natural sources of water. None of this is purified. Only 6037 households benefit from a regional water scheme. The responsibility for water (water authority and service provider) resides with Umkhanyakude District.

Electricity

Only 28% of the households in Hlabisa have access to electricity. The majority (72%) of the households still rely on other forms of energy such as candles, gas and paraffin for their needs. These are not sufficient as they are only limited to the provision of a small energy. For lighting purposes, most households (68%) uses candles, followed by 28%, who uses electricity and 5% who uses other sources of energy such as gas, paraffin and solar.

Roads

The majority of people of Hlabisa municipality have no access to roads. Road infrastructure is of paramount importance since the area does not have other modes of transport such as rail and freight.

There is also a huge backlog in the delivery of public services. These backlogs are:

- Poor condition of schools, which does not contribute to building a culture of learning and teaching.
- Poor access to institutions for early childhood education. This field has been identified by the national government as a priority area of intervention.
- Poor access to health services which affects delivery of primary health care. The latter is a strategy used by the national government to deliver health services.
- Lack of visible policing.
- Poor access to library services which also affects the development of a culture of learning and teaching.
- Poor access to welfare services including pension pay points, magistrate services, etc.
- Poor access to cemeteries.

3 HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

3.1 Institutional Arrangements and Staff Complement

The municipality has a staff complement of 54, including the Municipal Manager, 3 Directors and 1 Deputy Director. The existing Directorates are as follows:

- Administration Services
- Human Resources
- Community Services
- Finance
- Infrastructure Services
- Planning, Social and Economic Development

Staff complement per Directorate can be summarized as follows:

DIRECTORATE	MALE	FEMALE	TOTAL
Administration	5	-	**5**
Human Resources	6	8	**14**
Finance	5	6	**11**
Community Services	11	6	**17**
Infrastructure Services	3	1	**4**
Planning, Social and Economic Development	4	3	**7**

3.2 Departmental Functional Areas

The following are the functions relevant to each Directorate:

DIRECTORATE	FUNCTION
Administration	General administration and Council affairs Public Relations Administration co-ordination Disaster Management Integrated Development Plan
Human Resources	Organisation and work study Staff transformation Labour relations Staff training Personnel Management Services Occupational Health and Safety Performance Management
Finance	Financial Administration Supply Chain Management Revenue and Debt Management Expenditure Management Internal Audit and Risk Management Financial Information Systems Information Technology systems
Community Services	Traffic and Public Safety Security Services Cleansing Services Noise Pollution Licensing and control of animals Cemeteries and Crematoria Community facilities and amenities Sport facilities Libraries Maintenance of POS (Public Open Spaces) Health Services Parks and recreation Street trading and markets Solid waste management
Infrastructural Services	Roads and storm water Street lighting Technical support services Repairs and Maintenance of buildings Buildings
Planning, Social and Economic Development	Local Tourism Economic Development Building regulations Billboards and display of advertisements Town Planning GIS Services Land development, facilitation and survey Property Valuation Control of undertakings that sell liquor to the public

There is limited revenue base for the municipality and currently about 97% of municipal revenue is received from grants. The following factors can be considered as a threat to the financial position of the municipality:

- The current low payment rates for services rendered and limited means of credit control
- Decline in cash and investments and possible cash flow problems
- Rising unemployment and slow economic growth which will result in loss of rates income and increase costs for indigent support

3.3 Executive and Council

Hlabisa Municipality is a category B municipality as determined by the Demarcation Board in terms of section 4 of the Municipal Structures Act, 1998. The municipality functions under the Collective Executive system consisting of 7 members. The Council consists of 37 councillors of which 19 councillors are Ward Councillors and the remaining 18 are Proportional Representation councillors. Only the Speaker is full time. The Council has 6 portfolio standing committees which each is chaired by a member of the ExCo.

4 AUDITED FINANCIAL STATEMENTS

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GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE COMMITTEE

Cllr. B. Ntombela	**Mayor (Chairperson)**
Cllr. M.L. Zulu	**Deputy Mayor**
Cllr. M.W. Khumalo	
Cllr. G.R. Mchunu	
Cllr. S.H. Mthethwa (Resigned in June 2008)	
Cllr. V.M. Gumede	
Cllr. H.T. Nkosi	

SPEAKER OF COUNCIL
Cllr. Z.E. Nyawo

Total number of councilors: 36

GRADING OF THE LOCAL MUNICIPALITY
Grade 2
(As per councillor remuneration grading)

AUDITORS
The Auditor-General

BANKERS
ABSA - Public Sector, Newcastle

REGISTERED OFFICE

Municipal Building	P.O. Box 387	Telephone (035) 838 8500
4/62 Masson Street	Hlabisa	Fax (035) 838 1015
Hlabisa	3937	

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 1 to 27 were approved by the Municipal Manager on the 28 of August 2008 and the Chief Financial Officer and was tabled to Executive and Finance Committee on the same date.

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MUNICIPAL MANAGER
TV Mkhize **(effective 05 June 2006)**
STD, B Paed., B. Ed., Municipal Manager's Certificate

.....

CHIEF FINANCIAL OFFICER
BM Thusi (effective 01 June 2007)
N Dipl.(CSbICB) ICB, (RPSAA)IPFA.
Certificate Programme in Management Development,
Financial Management Inst. of SA

FOREWORD

Herewith are the Annual Financial Statements for the year ended 30 June 2008.

Hlabisa Municipality is in its second term of existence. Each year it transforms its way of doing business, especially in this term transformation has become our Motto where we emphasize changing the environment to be better for ourselves and the community that we serve.

The municipality has indeed improved it's operational perfomance and is more involved in service delivery of our communitys' needs. The councilors have now been trained in all financial policies to be able to meet the increasing demands of our communities. In this financial year we have tried to spend most of the grants that have been unspent for years. We acknowledge that there are still challenges in our performance as a municipality but with hard work and commitment from officials and councilors there is great hope.

The municipality is improving in ensuring that external investors do come here. This has been shown by the recent calls for commercial developers. and the initiatives to formalize the town. This will indeed assit our communities to travel less if they intend to buy from shops rather than going to Mtubatuba. Our communities will also have the opportunity to get employment opportunites and ensured that the employment rate is reduced.

May I place on record my thankfulness to my colleages in the Executive Committee, all councilors, management and all staff members for their job well done. We must also hope to transform further to deliver improved services to our residents.

.....

Mr. B. Ntombela
Chairman of the Executive Committee

REPORT OF THE AUDITOR-GENERAL TO THE KWA-ZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF HLABISA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying annual financial statements of the Hlabisa Municipality which comprise the balance sheet as at 30 June 2008, income statement, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity specific basis of accounting, as set out in accounting policy note 1 to the financial statements and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and, Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA) and any applicable enabling legislation. This responsibility includes:
   - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
   - selecting and applying appropriate accounting policies
   - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 123 of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

Debtors

12. The municipality has a long outstanding value added tax receivable of R5 894 533 from South African Revenue Services. We are of the opinion that the recoverability of this amount is uncertain as it is an accumulative amount from the 2003 to 2008 financial year.

    Consequently, debtors is overstated and provision for doubtful debt is understated.

Unauthorised expenditure

13. The municipality has overspent its allocated reserves and funds by R1 470 416. This over expenditure is deemed to be unauthorised. Furthermore this over expenditure has not been disclosed correctly in the annual financial statements as it is reflected as debit balances in the reserves and funds disclosure.

    Consequently expenditure is overstated and accumulated surplus is understated by R1 479 416.

Qualified opinion

14. In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself as to the matters described in the Basis for qualified opinion paragraphs, the financial statements of the Hlabisa Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1 to the financial statements and in the manner required by the MFMA and DORA.

Going concern

15. The municipality incurred a net loss of R4 682 901 for the year ended 30 June 2008 (2007:R6 673 918). Furthermore, the municipality's statutory funds are not adequately cash backed and the municipality is reliant on funding from equitable share to pay for it expenses in the normal course of operations. In addition, an analysis of its own income revealed that 42,5% of the municipality's income of R31,2 million is allocated to employee and consultant costs. As a result of the above the extent to which effective service delivery is achieved is questionable.

16. The statutory funds and reserves and trust funds balances of R21 783 903 are not backed by sufficient concomitant assets as required by the MFMA. The shortfall amounts to R13 306 734.

OTHER MATTERS

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Matter of governance	Yes	No
Audit committee		
• The municipality had an audit committee in operation throughout the financial year.	✔	
• The audit committee operates in accordance with approved, written terms of reference.	✔	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in Section 166(2) of the MFMA.	✔	
Internal audit		
• The municipality had an internal audit function in operation throughout the financial year.	✔	
• The internal audit function operates in terms of an approved internal audit plan.	✔	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Section 165(2) of the MFMA.	✔	
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.	✔	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.		✔
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		✔
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	✔	
• The prior year's external audit recommendations have been substantially implemented.	✔	
Implementation of Standards of Generally Recognised Accounting Practice (GRAP)		
• The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.	✔	
• The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.		✔
• The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.		✔

APPRECIATION

25. The assistance rendered by the staff of the Hlabisa municipality during the audit is sincerely appreciated.

Pietermaritzburg

28 November 2008

AUDITOR-GENERAL

TREASURER'S REPORT

2007/2008 YEAR REVIEW

Background

Hlabisa Municipality is a grade two Local Municipality within the Umkhanyakude District Municipality. It covers four traditional authority areas namely Hlabisa, Mpembeni, Mdletsheni and Mpurunyoni. The Municipality has been in existence for four and the half years and has 19 wards with 37 councilors. It is worth mentioning that the municipal area is mainly rural with three authorities, Municipality, Traditional Authority and DMA.

The municipality is currently clasified as low capacity municipality because of it reliance to the grant funding whilst it has large number of residents approximated at about 200 000. The unemployment rate is in access of 70% with large number of child-headed famailies. This municipality is also facing the challenge of HIV/Aids pandemic. The municipality has been largely involved in the development of it's communities through it interaction with all people and implementation of small-scale LED projects. The municipality is also facing the challenge of introducing new systems that will meet the existing and increasing demand for better accountability, reporting and good governance.

IDP and Budget Process Plans

IDP and Budget Process Plans were prepared and adopted by the council in a reasonable time. It is however acknowledged that proper implementation of the IDP and Budget are still a major challenge. Going forward it is anticipated that there will be an alignment of IDP and budget process plans within the municipality and the district at large but this demands collective efforts for all role-players.

Annual Financial Statements and Audit Reports

Annual Financial Statements (AFS) for year ending 30 June 2008 were prepared and submitted within the prescribed time frames and were also prepared internally and staff will be fully engaged in 2008/2009 monthly compilation of financial statements that will see Hlabisa Municipality complying with GAMAP/GRAP statements and timely submission of Annual financial Statements.

Summary Financial Review

Income received for this period amounted to R31,2 millions and expenditure was R33,1 million. We have a deficit of R1,940,712 as per our AFS. All MIG funds were spend duirng the year. The balance sheet herewith attached shows a decrease in net worth of municipality.

These financials represents the financial perfomance and operating results of the Hlabisa Municipality for the period ending 30 June 2008.

1. OPERATING RESULTS

Details of the operating results per department and classification of income and expenditure are included in appendices D and E. The overall operating results for the year ended 30 June 2008 are as follows:

INCOME	Actual 2008 R	Budget 2008 R	Variance Actual/ Budget %	Actual 2007 R
Operating income for the period	31 222 755	36 569 317	**-14.6%**	32 562 153
Closing deficit	-	-	-	-
	31 222 755	**36 569 317**		**32 562 153**
EXPENDITURE				
Expenditure for the period	33 163 467	36 371 809	**-8.8%**	38 851 710
	33 163 467	**36 371 809**		**38 851 710**

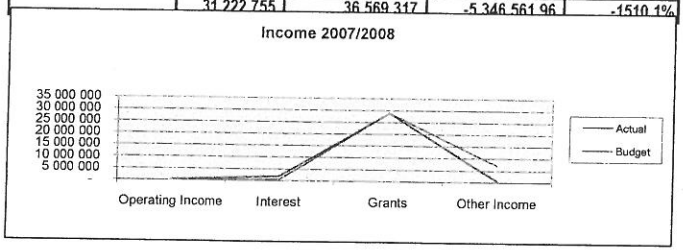
Operating expenditure is more than the income received. The municipality has received some grants in this financial period that were not utilized and the municipality transferred these grants to the trust funds and invested them.

Refer to page 27 (APPENDIX D)

2. INCOME

Details of income per department and classification are included in appendix D.

	Actual 2008	Budget 2008	2008 Variance Amount	2008 Variance %
Operating Income	221 230	378 362	-157 131.68	-71.0%
Interest	1 828 161	384 000	1 444 161.31	79.0%
Grants	28 739 157	28 782 000	-42 842.74	-0.1%
Other Income	434 206	7 024 955	-6 590 748.85	-1517.9%
	31 222 755	36 569 317	-5 346 561.96	-1510.1%



2.1 Grants and Subsidies

Equitable share is shown as operational grant and FMG Grant was received and remaining funds will be transferred to funds.

See Appendix A and D for more information

2.2 Operating Income

Actual 2008	Budget 2008
221 230	378 362

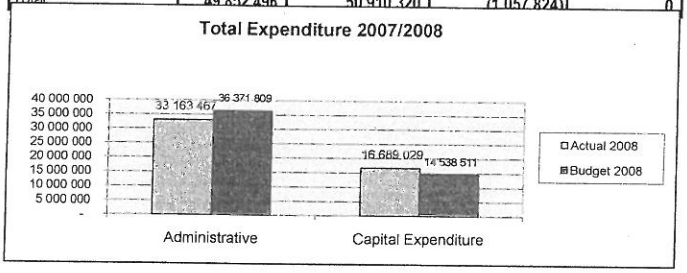
(Refer to Appendix D for more details

3. EXPENDITURE

3.1 Total Expenditure

Details of income department and classification are included in appendix D.

	Actual 2008	Budget 2008	2008 Variance Amount	2008 Variance %
Administrative	33 163 467	36 371 809	(3 208 342)	-9.67%
Capital Expenditure	16 689 029	14 538 511	2 150 518	14.79%
Total	49 852 496	50 910 320	(1 057 824)	0



The Capital expenditure increased as a result of increased MIG funding. Theres is also an additional funding from Sports and Recreation which was received as top up.

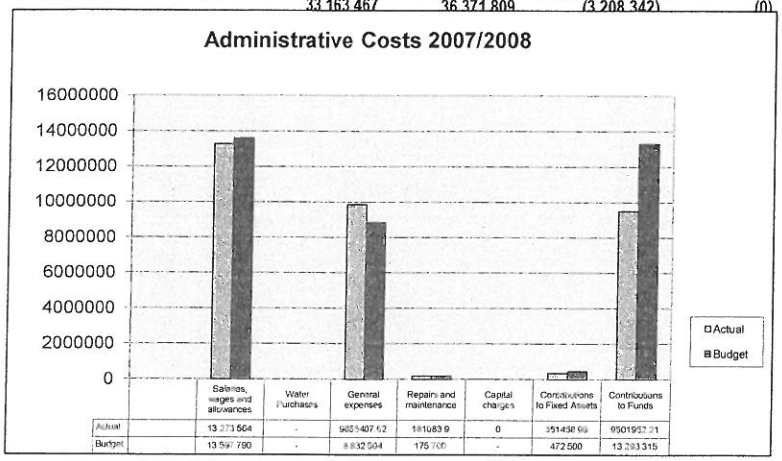
3.2 Administrative Expenditure

Administrative expenditure for the period are as follows:

	Actual 2008	Budget 2008	Variance 2008	Variance % 2008
Administrative	33 163 467	36 371 809	-3 208 342	-9.67%

Administrative expenditure as per classification are as follows:

	2008 Actual	2008 Budget	2008 Variance	2008 Variance %
Salaries, wages and allowances	13 273 564	13 597 790	(324 226)	-2.38%
Water Purchases	-	-	-	0.00%
General expenses	9855407.62	8 832 504	1 022 904	11.58%
Repairs and maintenance	181083.9	175 700	5 384	3.06%
Capital charges	0	-	-	0.00%
Contributions to Fixed Assets	351458.99	472 500	(121 041)	0.00%
Contributions to Funds	9501952.21	13 293 315	(3 791 363)	-28.52%
	33 163 467	36 371 809	(3 208 342)	(0)



4. CAPITAL EXPENDITURE (FIXED ASSETS)

The expenditure on fixed assets incurred during the year amounted to R 10,207,695 which consisted mainly of Civic Buildings, Vehicles Equipment.

Details are reflected in Appendix C

Resources used to finance the fixed assets were as follows:

Contributions from operating income	931 825
Grants & Subsidies	9 275 870
Donations - Dept of Housing	-
	10 207 695

Refer to 3.1 for comments on total expenditure.

5. EXTERNAL LOANS, INVESTMENTS AND CASH

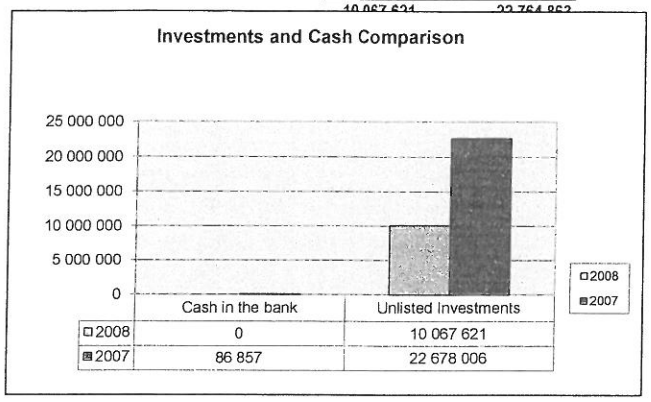
5.1 External loans

No external loans were taken up for the municipal functions during the period and none were transferred from Umkhanyakude District and Mtubatuba. Details of external loans are included in appendix A.

5.2 Investments and Cash

All available cash was held in Council's Bank account at 30 June 2008 amounting to (refer to notes 7 and 20 for more details):

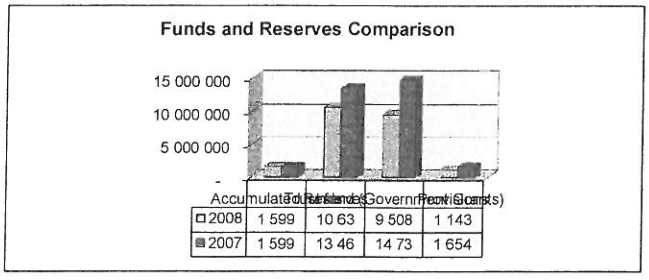
	2008	2007	Change %
Cash in the bank	0	86 857	-100%
Unlisted Investments	10 067 621	22 678 006	-56%
	10 067 621	22 764 863	



6. FUNDS AND RESERVES

Funds reserves and provisions may be summarized as follows:

	2008	2007	Change %
Accumulated funds	1 599 155	1 599 155	0%
Reserves	10 630 798	13 464 558	-27%
Trust fund (Government Grants)	9 508 950	14 736 528	-55%
Provisions	1 143 234	1 654 766	-45%
	22 882 137	**31 455 005**	



Full details on funds and reserves are included in notes 1, 2 and 3 to the financial statements and appendix A. Provision for bad debts is there to cater for debts over 90 days.

7. GOING CONCERN

The management of Hlabisa wants to see the municipality as a going concern although there are challenges because the municipality is still dependent on grants. But strategies have been developed to increase revenue base for the municipality.

8. POST BALANCE SHEET EVENTS

The municipality has employed a certain accounting firm that will be implementing the assets management systems that will ensure that the municipality fully implements the provisions of the Municipal Finance Management Act (MFMA).

EXPRESSION OF APPRECIATION

I wish to thank the Mayor, members of the Executive Committee, Councilors, the Municipal Manager, Heads of Departments and especially the staff in the financial department for the support they have given me during the financial year and in preparing these Annual Financial Statements.

B.M. Thusi
Chief Financial Officer
HLABISA LOCAL MUNICIPALITY
Date: 28/08/2008

HLABISA MUNICIPALITY

ACCOUNTING POLICIES

1 BASIS OF PRESENTATION

1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second edition - January 1996).

1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3.

1.3 The financial statements are prepared on the accrual basis as stated:

(i) Income is accrued when available to finance operations. Certain direct income is accrued when received and /or when the amount can be measured with certainty.

(ii) Expenditure is accrued in the year it is incurred.

1.4 All amounts disclosed in these Financial Statements are rounded off to the nearest Rand, but actual amounts were used in the calculations.

2 CONSOLIDATION

The financial statements include rates and general services, equitable share, trading services and the different funds and reserves. All inter departmental charges are set-off against each other.

3 FIXED ASSETS

3.1 *Fixed assets are stated:*
(i) at historical cost, or
(ii) at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.

3.2 *Depreciation*
The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

(i) Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.

(ii) Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other capital Receipts" account.

3.3 All net proceeds from the sale of fixed property are credited to the Puplic Improvement Fund. Net proceeds from the sale of all assets are credited to a CDF.

3.4 Fixed assets are financed from different sources, including external grants, operating income and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

4 INVENTORY

Inventory is purchased on a need basis, and the balance on hand at year end is accounted for as expenditure.

5 FUNDS AND RESERVES

5.1 *Capital Development Fund*

The Local Government Ordinance, Natal, No. 25 of 1974, requires a minimum contribution of 3.0% of the defined income of local authority for the immediately preceding financial year.

5.2 Public Improvement Fund

The Public Improvement Fund provides for the future township development. All developments costs as defined in section 103 (3) (d) of the Local Governement Ordinance, Natal, No. 25 of 1974, are debited against the fund. All proceeds from sale of developed land are credited as income for the fund.

5.3 Leave Provision

A provision equal to the actual leave credit as at 30 June is maintained to provide for leave payments on request. Contributions are made from the operating account.

5.4 Bad Debt Provision

A provision equal to the anticipated risk as at 30 June is a maintained to provide for bad debts. Contributions are made from the applicable accumulated account based on outstanding debtors more than ninety days.

5.5 Working Reserves
Some funds are reserved for the unexpected variation of working capital.

6 RETIREMENT BENEFITS

Hlabisa Municipality and its employees contribute to the Natal Joint Municipal Pension Fund or the KwaZulu-Natal Joint Municipal Provident Fund which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and in accordance with the requirements of the Pensions Fund Act, 1956. Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuations are performed at least every three years. The last valuation was done on 31 March 2005.

7 LEASED ASSETS

Leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

8 INVESTMENTS

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested in securities as prescribed by section 125 of the Local Authorities Ordinance, 1974 (Ordinance No. 25 of 1974) and section 10G(9) of the Local Government Transition Act, 1993 (Act No. 209 of 1993).

9 INCOME RECOGNITION

9.1 Assessment Rates

Assessment Rates are levied on land and improvement value of property at a differential rate. Rebates are granted according to the use to which a particular property is put to.

10 SURPLUSES AND DEFICITS

The Unappropriated Surplus is maintained as an Operating cash reserve, to fund expenditure during the financial year, prior to the collection of revenue.
It may also be utilized to fund projects that the council may deem necessary to fund.

HLABISA MUNICIPALITY

BALANCE SHEET AS AT 30 JUNE 2008

	Notes	2008 R	2007 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		12 229 953	15 063 713
Accumulated Funds	1	1 599 155	1 599 155
Reserves	2	10 630 798	13 464 558
ACCUMULATED DEFICIT	15	-9 365 117	-4 682 217
		2 864 836	10 381 496
TRUST FUNDS	3	9 508 950	15 010 527
LONG-TERM LIABILITIES			
Deposits	4	3 059	-
		12 376 845	25 392 023
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	5	-	-
LONG TERM DEBTORS	6	14 200	14 200
INVESTMENTS	7	10 067 621	22 678 006
		10 081 821	22 692 206
NET CURRENT ASSETS / (LIABILITIES)		2 295 025	2 699 817
CURRENT ASSETS		6 544 848	7 176 476
Inventory		-	-
Debtors	8	6 544 848	7 089 619
Cash resources	20	-	86 857
Short-term portion of long term debtors	8	-	-
CURRENT LIABILITIES		4 249 823	4 476 659
Provisions	9	482 497	738 852
Trade Creditors	10	1 655 923	3 076 798
Other Creditors	10	562 808	661 009
Short-term portion of long term creditors	3	-	-
Bank Overdraft	20	1 548 595	-
		12 376 845	25 392 023

-0

HLABISA MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	2007 Actual income R	2007 Actual expenditure R	2007 Surplus / (Deficit) R	2007 Budget Surplus / (Deficit) R
Functions	**32 262 153**	**38 238 090**	**(5 975 937)**	**5 975 937**
- Executive & Council	28 708 015	28 507 866	200 149	(200 149)
- Finance & Administration	3 275 395	4 708 673	(1 433 278)	1 433 278
- Planning & Development	9 142	372 308	(363 166)	363 166
- Health	-	-	-	-
- Community & Social Services	-	1 940 471	(1 940 471)	1 940 471
- Housing	257 880	257 880	-	-
- Public Safety	-	1 140 648	(1 140 648)	1 140 648
- Sports & Recreation	734	692 725	(691 991)	691 991
- Environmental Protection	-	-	-	-
- Waste Management	10 987	617 519	(606 532)	606 532
- Waste Water Management	-	-	-	-
- Road Transport	-	-	-	-
- Other	-	-	-	-
TOTAL	32 262 153	38 238 090	(5 975 935)	5 975 937
Appropriations for this period (refer to note 15)			(697 983)	
Net surplus for the period			(6 673 918)	
Accumulated surplus beginning of the period			1 991 702	
ACCUMULATED SURPLUS AT THE END OF THE PERIOD			(4 682 216)	

(Refer to appendix D and E for more detail)

	2008 Actual income R	2008 Actual expenditure R	2008 Surplus / (Deficit) R	2008 Budget Surplus / (Deficit) R
Functions	**31 222 755**	**33 163 467**	**(1 940 712)**	**1 648 712**
- Executive & Council	25 776 606	21 784 603	3 992 003	(13 018 646)
- Finance & Administration	2 619 043	5 142 950	(2 523 907)	6 596 383
- Planning & Development	1 149 000	1 249 005	(100 005)	442 957
- Health	-	-	-	-
- Community & Social Services	-	1 708 782	(1 708 782)	3 582 057
- Housing	-	-	-	50 000
- Public Safety	235 923	1 238 536	(1 002 613)	2 173 013
- Sports & Recreation	1 426 029	1 284 170	141 859	222 009
- Environmental Protection	-	-	-	-
- Waste Management	16 154	755 422	(739 267)	1 600 939
- Waste Water Management	-	-	-	-
- Road Transport	-	-	-	-
- Other	-	-	-	-
TOTAL	31 222 755	33 163 467	(1 940 712)	1 648 712
Appropriations for this period (refer to note 15)			(2 742 189)	
Net surplus for the period			(4 682 901)	
Accumulated surplus beginning of the period			(4 682 216)	
ACCUMULATED SURPLUS AT THE END OF THE PERIOD			(9 365 117)	

(Refer to appendix D and E for more detail)

HLABISA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR

ENDED 30 JUNE 2008

	Note	2008 R	2007
CASH RETAINED FROM OPERATING ACTIVITIES		**(24 453 534)**	**(4 049 329)**
Cash generated by operations	16	(25 307 390)	(4 855 791)
Finance Transactions	14	1 828 161	1 702 564
Increase in working capital	17	(974 305)	(896 102)
		(24 453 534)	(4 049 329)
Less: External interest paid	10	-	-
Cash utilized by operations		(24 453 534)	(4 049 329)
Contributions from Public or Government		-	-
CASH UTILIZED IN INVESTING ACTIVITIES		**10 207 695**	**4 644 596**
Investment in Fixed Assets	5	10 207 695	4 644 596
NET CASH FLOW		**(14 245 838)**	**595 267**
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase/ (Decrease) in long-term Loans External	18	-	-
Increase Consumer Deposit		-	
Increase in Fixed Assets		-	-
(Increase)/ Decrease in Investments	19	12 610 385	(483 953)
Increase/ (Decrease) in Long Term Debtors	6	-	-
(Increase)/ Decrease in Cash On Hand	20	1 635 452	(111 314)
NET CASH GENERATED		**14 245 838**	**(595 267)**

ILABISA MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008 R	2007 R
1. ACCUMULATED FUNDS		
Capital Development Fund	1 599 155	1 599 155
Public Improvement Fund	0	0
(Refer to appendix A for more detail)	**1 599 155**	**1 599 155**
2. RESERVES		
Working Capital Reserves	300 000	300 000
Mpembeni Health Centre	4 172	4 172
Shikishela Creche	8 346	8 346
LED Projects - Internal	84 506	84 506
Equitable Share - Free Basic Services	6 776 244	6 539 033
Equitable Share - Free Basic Electricity	3 490 287	3 496 996
Project Development Fund-Internal	0	84 997
Project Development Fund- Internal 2005/2006	-32 757	2 946 508
Planning	0	0
(Refer to appendix A for more detail)	**10 630 798**	**13 464 558**
3. TRUST FUNDS		
Establishment Grant	0	0
Transitional Grant	0	0
Management Support Grant	-353 774	-224 438
Intergrated Development Grant	17 635	51 230
Community Initiative Grant	50 000	50 000
Computer Grant	54	54
LED Grant	0	0
PMS Grant - DC27	90 000	90 000
Intergrated Development Grant - DC27	44 436	46 836
GIS Grant	8 619	8 619
Lums Grant	214 688	214 688
Disaster Management Grant - DOH	3 857 000	3 857 000
Community Gardens	202 298	202 298
Socio-Economic Survey	4 676	4 676
Housing Provision Grant	253 758	253 758
LIBRARY GRANT	598 857	716 226
MUNICIPAL DEVELOPMENT PLANNING GRANT	12 399	12 399
INTER-DEPARTMENTAL MONITORING	4 677	4 677
PROPERTY RATES GRANT	33 125	33 125
PROJECT CONSOLIDATE	240 446	312 196
ANTI-CORRUPTION STRATEGY	134 500	134 500
FMG GRANT	1 134 553	681 798
E-LEARNING GRANT	0	0
DTLGA - MFMA GRANT	27 649	68 061
VALUATION ROLL	270 000	270 000
PMS GRANT	62 000	125 000
SPATIAL PLANNING	50 000	50 000
MUNICIPAL DEVELOPMENT INFR. GRANT	40 000	40 000
DC27-VOTER REGISTRATION CAMPAIGN GRANT	2 000	2 000
PROJECT CONS - WATER RETICULATION	1 546 792	2 400 000
MIG	-292 816	2 876 979
MIIP	185 318	200 000
PUBLIC PARTICIPATION	47 058	250 000
INTERNAL CONTROL	150 000	150 000
ZAMIMPILO TOURISM	-83 795	30 000
HR SYSTEMS & PROCEDURES	-134 862	137 000
SPORTS GRANTS	-510 338	300 000
PROJECT CONS - MANDOZI ALTERNATIVE ENERGY	-62 074	500 000
PROJECT CONS - WASTE DUMP SITE	291 643	322 956
DTLGA - COMMUNITY DEVELOPMENT WORKERS	9 011	10 761
DPLG - MSIG	411 816	728 127
MUN. DEV. PLANNING CAPACITY	65 301	100 000
MPEMBENI GAME LODGE	86 300	0
SINAMUVA CULTURAL VILLAGE	800 000	0
	9 508 950	**15 010 527**
(Refer to appendix A for more detail)		

ABISA MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008 R	2007 R
LONG TERM LIABILITIES		
External loans	0	0
Less: Short term portion	0	0
(Refer to appendix "B" for more details)	**0**	**0**
Consumer Deposits	**3 059**	

5. FIXED ASSETS

Fixed assets at the beginning of the year	20 551 658	-15 907 063
Capital expenditure during the year	10 207 695	-4 644 596
Less :Assets written off, transferred or desposed of during the y	-406 877	0
Total fixed assets	30 352 476	-20 551 659
Less : Loans redeemed and other capital receipts	30 352 476	-20 551 659
Net fixed assets	**1**	**0**

(Refer to appendix "C")
(Refer to section 2 of the Treasurers Report fo more)

Fixed assets are resources owned by the Council from which future economic benefits are expected to flow. All assets are capitalized. Fixed assets are financed by grants, subsidies and revenue.
Land & Buildings were taken over as a result of obtaining the Title Deed for proclaimed town Erf 79. The land was not revaluated, last valuation being the 01 July 2001.
Capital Expenditure includes projects which are still in progress to the value of R7,107967.70 which have not been included in the asset register.

LONG TERM DEBTORS		
Deposits	14 200	14 200
	14 200	**14 200**

7. INVESTMENTS

ABSA	1 919	0
MERCANTILE	2 980 161	0
FNB	10 277	0
STANDARD BANK	7 075 264	0
Total Investments	10 067 621	22 678 006
Managements' valuation of unlisted investments.	**10 067 621**	**22 678 006**

Section 125 of the Local Authorities Ordinance, No.25 of 1974, requires local authorities to invest funds, which are not immediately required, with prescribed institutions.

DEBTORS		
Current debtors(Consumers and other)	1 279 549	1 960 912
Staff Account	0	255 493
Mr Ntsele	0	33 614
N Moran	0	73 500
DTLGA - Project Consolidate	0	71 750
Hayman & Van Rensburg	0	200
NZ Mahaye	941	941
H Mayisa	658	658
Umkhanyakude	0	4 241
Inkatha Freedom Party	131	131
Interest Accrued-investments	**29 773**	0
Over/Under Petty cash Claims	**0**	498
Receiver of Revenue (Value Added Tax)	5 894 533	5 289 973
	7 205 585	**7 691 910**
Less: Provisions for bad Debts	**660 737**	**602 292**
	6 544 848	**7 089 619**
Consumer Debtors Age Analysis		
Current	-778	-2 501
0 -30 days	504 963	402 543
30 - 60 days	28 871	29 321
60 - 90 days	0	669 362
90 days +	746 493	0

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008 R	2007 R
9. PROVISIONS		
Accounting and Audit Fees	0	0
Leave	482 497	738 852
	482 497	**738 852**
10. CREDITORS		
Trade Creditors	1 655 923	3 076 798
Salary Suspense	-115 801	0
Mtubatuba Municipality	656 791	656 791
Other Creditors	21 818	4 219
	2 218 731	**3 737 808**
Refer to Working papers for more details		
11. ASSESSMENT RATES		
Rateable Land	**73 337**	**73 337**
Valuations on land are performed every five years. The basic rate was 0.0645 cents on land only.		
12. COUNCILLORS' & SENIOR MANAGEMENT'S REMUNERATION		
Mayor's allowance	259 867	242 138
Executive Committee Allowance	1 143 895	1 068 826
Councillors' allowance	4 173 093	5 359 616
Total Councillors' Remuneration	**5 576 855**	**6 670 580**
Senior Management Salaries		
Municipal Manager	541 771	425 717
Chief Financial Officer	446 427	406 657
Director - Coporate Services	438 186	406 657
Director - Community Services	457 059	406 657
Total Senior Management Salaries	**1 883 443**	**1 645 688**
13. AUDITORS' REMUNERATION		
Paid during the year	445 887	369 663
Total Auditors' remuneration	**445 887**	**369 663**
14. FINANCE TRANSACTIONS		
Total external interest earned/(paid):		
Interest earned	1 828 161	1 702 564
	1 828 161	**1 702 564**
Capital Charges debited to operating account:		
Interest: External	0	0
Internal	0	0
Redemption: External	0	0
Internal	0	0
	0	**0**

LABISA MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008 R	2007 R
15. APPROPRIATIONS		
Net Appropriation account		
Accumulated surplus/(deficit) at the beginning of the period	-4 682 216	1 991 698
Operating surplus for the period	**-4 682 901**	**-6 673 915**
Appropriations for the year	-1 940 712	-5 975 932
Prior Year adjustments	-2 742 189	-697 983
Accumulated surplus/(deficit) at the end of the period	**-9 365 117**	**-4 682 217**
Operating account		
Capital expenditure	29 103 293	8 083 286
Contributions to:	**892 994**	**4 129 762**
- Provisions	170 000	180 000
- Reserves	0	3 664 988
- Trust Funds	240 497	0
- Capital Development Fund	0	0
- Leave	482 497	284 774
	29 996 286	**12 213 048**
16. CASH GENERATED BY OPERATIONS		
Net surplus (deficit) for the year	-1 940 712	-5 975 932
Adjustment for:		
Appropriations for previous year	-2 742 189	-697 983
Appropriations charged against income	-18 796 328	11 603 975
Capital Development fund	0	0
Provisions	-253 296	464 774
Trust Funds	-5 501 576	2 829 617
Reserves	-2 833 760	3 664 988
Fixed Assets	-10 207 695	4 644 596
Investment Income	-1 828 161	-1 702 564
Non operating income		
Provisions	0	0
Trust funds	0	0
Non operating expenditure		
Trust Funds	0	-3 466 206
Reserves	0	-4 274 524
Provisions	0	-342 556
Operating surplus before working capital changes	**-25 307 390**	**-4 855 791**

HLABISA MUNICIPALITY

OTES TO FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008 R	2007 R
7. (INCREASE) / DECREASE IN WORKING CAPITAL		
(Increase)/decrease in stock	0	0
(Decrease) in debtors	544 771	-2 536 723
(Increase)/decrease in deposits	0	0
(Decrease) in creditors	-1 519 076	1 640 621
	-974 305	**-896 102**
18. INCREASE / (DECREASE) IN LONG-TERM LOANS (EXTERNAL)		
Loans Raised	0	0
Loans Repaid	0	0
	0	**0**
9. (INCREASE)/DECREASE IN INVESTMENTS		
Investment beginning of the year	22 678 006	22 194 053
Investment end of the year	10 067 621	22 678 006
Net decrease in cash equivalents	**-12 610 385**	**483 953**
). (INCREASE)/ DECREASE IN CASH ON HAND		
Cash balance beginning of the year	86 857	-24 457
-Cash on hand	1 005	1 005
-Cash in bank	85 852	-25 462
Less: Cash balance at the end of the period	-1 548 595	86 857
-Cash on hand	1 005	1 005
-Cash at Bank	-1 549 600	85 852
	-1 635 452	**111 314**
Bank Overdraft	**1 548 595**	
1. CAPITAL DEVELOPMENT FUND		
Accumulated Funds (Appendix A)	1 599 155	1 599 155
Less: Internal Investment to Borrowing Services (Appendix B)	0	0
Balance available for External Investment	**1 599 155**	**1 599 155**
22. PUBLIC IMPROVEMENT FUND		
Accumulated Funds (Appendix A)	0	0
Less: Internal Investment to Borrowing Services (Appendix B)	0	0
Less: Funds Invested in fixed assets (Appendix C)	0	0
Balance available for External Investment	**0**	**0**

HLABISA MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008 R	2007 R

3. RETIREMENT BENEFITS

Employees belong to the following funds within the Natal Joint Municipal Pension/Provident Funds which provide retirement benefits to such employees. This is a compulsory benefit.

(I) Natal Joint Municipal Pension Fund (retirement)
(ii) Natal Joint Municipal Pension Fund (superannuation)
(iii) Natal Joint Municipal Pension Fund (provident)
(iv) Municipal Councillors Pension Fund

The retirement plan is subject to the Pension Fund Act 1956 with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuation are perfomed at least every three years. The latest independent valuation of the funds, which indicated that the funds were in a sound financial position, was undertaken on 31 March 2005.

4. BANKING DETAILS

The primarily bank account referred to in Section 8 of the Municipal Finance Management Act is as follows:

Bank: ABSA
Branch: Newcastle
Branch Code: 630 324
Account No.: 405 370 9558

5. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for	0	0
Approved but not yet contracted for		0
	0	**0**
This experience will be financed from:		
Internal sources	0	0
External sources	0	0
Provincial sources	0	0
	0	**0**

HLABISA MUNICIPALITY

APPENDIX A

STATUTORY FUNDS, RESERVES, TRUST FUNDS AND PROVISIONS

	Balance at 01/7/2007 R	Contributions during the period R	Interest on investment R	Other income R	Operational expenditure during the period R	Capital expenditure during the year R	Balance at 30/06/2008 R
STATUTORY FUNDS							
Accumulated Funds	1 599 155	-	-	-	-		1 599 155
- Rates & General Services	1 599 155	-	-	-	-	-	1 599 155
- Water	-	-	-	-	-	-	-
Public Improvement Funds	-	-	-	-	-		-
	1 599 155	-	-	-	-	-	1 599 155
TRUST FUNDS							
ESTABLISHMENT GRANT	-	-	-	-	-	-	-
Transitional Grant	-	-	-	-	-	-	-
Management Support Grant	(224 438)	-	-	-	129 336	-	(353 774)
Intergrated Development Grant	51 230	-	-	-	33 595	-	17 635
Community Initiative Grant	50 000	44 702	-	-	44 702	-	50 000
Computer Grant	54	-	-	-	-	-	54
LED Grant	-	-	-	-	-	-	-
PMS Grant - DC27	90 000	-	-	-	-	-	90 000
Intergrated Development Grant - DC27	46 836	-	-	-	2 400	-	44 436
GIS Grant	8 619	-	-	-	-	-	8 619
Lums Grant	214 688	-	-	-	-	-	214 688
Disaster Management Grant - DOH	3 857 000	-	-	-	-	-	3 857 000
Community Gardens	202 298	-	-	-	-	-	202 298
Socio-Economic Survey	4 676	-	-	-	-	-	4 676
Housing Provision Grant	253 758	-		-	-	-	253 758
LIBRARY GRANT	716 226	195 795	-	-	313 164	-	598 857
MUNICIPAL DEVELOPMENT PLANNING GRANT	12 399	-	-	34 699	34 699	-	12 399
INTER-DEPARTMENTAL MONITORING	4 677	-	-	-	-	-	4 677
PROPERTY RATES GRANT	33 125	-	-	-	-	-	33 125
PROJECT CONSOLIDATE	312 196	-	-	-	71 750	-	240 446
ANTI-CORRUPTION STRATEGY	134 500	-	-	-	-	-	134 500
FMG GRANT	681 798	-	-	1 520 666	1 067 912	-	1 134 553
E-LEARNING GRANT	-	-	-	-		-	-
DTLGA - MFMA GRANT	68 061	-	-		40 412	-	27 649
VALUATION ROLL	270 000	-		-			270 000
PMS GRANT	125 000	-			63 000		62 000
SPATIAL PLANNING	50 000	-					50 000
MUNICIPAL DEVELOPMENT INFR. GRANT	40 000	-					40 000
DC27-VOTER REGISTRATION CAMPAIGN GRANT	2 000	-	-	-	-	-	2 000
PROJECT CONS - WATER RETICULATION	2 400 000	-	-	-	853 208	-	1 546 792
PROJECT CONS - MANDOZI ALTERNATIVE ENERGY	500 000	-	-	419 000	981 074	-	(62 074)
PROJECT CONS - WASTE DUMP SITE	322 956	-	-	-	31 313	-	291 643
DTLGA - COMMUNITY DEVELOPMENT WORKERS	10 761	-	-	-	1 750	-	9 011
DPLG - MSIG	728 127	-	-	1 468 000	1 784 311	-	411 816
MUNICIPAL INFRASTRUCTURE MIG	2 876 979			5 607 760	824 395	7 953 160	(292 816)
PUBLIC PARTICIPATION	250 000			-	202 942		47 058
MUNICIPAL INFRASTRUCTURE INVESTMENT PROGRA,MIIP	200 000			-	14 682		185 318
INTERNAL CONTROL UNIT	150 000			-			150 000
ZAMIMPILO TOURISM CENTRE	30 000			-	113 795		(83 795)
HR SYSTEMS & PROCEDURES	(137 000)			137 000	134 862		(134 862)
SPORTS GRANT	300 000			1 200 000		2 010 338	(510 338)
MPEMBENI GAME LODGE	-			180 000	93 700		86 300
SINAMUVA CULTURAL VILLAGE	-			800 000			800 000
MUN. DEV. PLANNING CAPACITY	100 000				34 699		65 301
	14 736 527	240 497	-	11 367 126	6 871 701	9 963 498	9 508 950
PROVISIONS							
Accounting & Audit Fees	313 621	-	-	-	313 621	-	-
Leave	738 852	482 497	-	-	738 852	-	482 497
Bad Debts	602 292	170 000	-	-	111 555	-	660 737
	1 654 766	652 497	-	-	1 164 027	-	1 143 234
RESERVES							
Working Capital Reserves	300 000	-	-	-	-	-	300 000
Mpembeni Health Centre	4 172	-	-	-	-	-	4 172
Shikishela Creche	8 346	-	-	-	-	-	8 346
LED Projects - Internal	84 506	-	-	-	-	-	84 506
Equitable Share - Free Basic Services	6 539 033	-	-	2 720 933	2 483 722	-	6 776 244
Equitable Share - Free Basic Electricity	3 496 996	-	-	2 132 303	2 139 012	-	3 490 287
Project Development Fund-Internal	84 997	-	-	2 086 222	-	2 171 219	-
Project Development Fund- Internal 2006/2007	2 946 508	-	-	1 330 849	-	4 310 114	(32 757)
Planning	-	-	-	-	-	-	-
	13 464 558	-	-	8 270 306	4 622 733	6 481 333	10 630 798
TOTAL	31 455 005	892 994	-	19 637 432	12 658 462	16 444 831	22 882 137
	17 398 115						

HLABISA MUNICIPALITY

APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS	Balance at 01 July 2007 R	Received during the period R	Redeemed or written off during the period R	Balance at 30 June 2008 R
Annuity Loans	-	-	-	-
Fixed Loans	-	-	-	-
	-	-	-	-

INTERNAL ADVANCES BORROWING SERVICES	Balance at 01 July 2007 R	Received during the period R	Redeemed or written off during the period R	Balance at 30 June 2008 R
Public Improvement Fund	-	-	-	-
Capital Development Fund	-	-	-	-
	-	-	-	-

HLABISA MUNICIPALITY

APPENDIX C : ANALYSIS OF FIXED ASSETS

Expenditure 2007 R	Service R	Budget 2008 R	Balance at 01.07.2007 R	Expenditure 2008 R	Written off transferred R	Balance at 30.06.2008 R
4 426 542	Rates & General Services	14 538 511	20 551 658	10 207 695	406 877	30 352 476
4 426 542	Community Services	14 538 511	20 551 658	10 207 695	406 877	30 352 476
0						
316 210	Executive & Council	375 000	11 512 803	296 316	406 877	11 402 242
338 818	Finance & Admin	414 990	660 737	49 729	0	710 466
440 275	Planning & Development	2 699 000	440 275	3 419	0	443 694
0	Health	0	730 016	0	0	730 016
1 502 304	Community & Social Services	7 143 200	4 827 291	8 925 063	0	13 752 354
0	Housing	0	0	0	0	0
230 446	Public safety	670 000	230 446	0	0	230 446
597 673	Sports & Recreation	917 270	597 673	933 169	0	1 530 842
0	Environmental Protection	0	0	0	0	0
0	Waste Management	210 500	0	0	0	0
151 885	Waste Water Management	0	151 885	0	0	151 885
848 931	Road Transport	1 108 551	1 182 479	0	0	1 182 479
0	Other	1 000 000	218 053	0	0	218 053
4 426 542	TOTAL FIXED ASSETS	14 538 511	20 551 658	10 207 695	406 877	30 352 476
4 426 544	LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		20 551 658	10 207 695	406 877	30 352 476
0	Loans redeemed		0	0	0	0
2 623 710	Contributions from ex operating income		6 884 145	931 825	406 877	7 409 093
1 802 834	Grants & Subsidies		13 385 616	9 275 870	0	22 661 486
0	Donations- Dept of Housing		281 900	0	0	281 900
0	Contribution from Ndt/pimms		0	0	0	0
0	Contribution from Equit. Reserve		0	0	0	0
0	Contributions for CBPW - PIA		0	0	0	0
0	Public Contributions		0	0	0	0
0	Miscelianeous		0	0	0	0
-2	NET FIXED ASSETS		0	1	0	1

HLABISA MUNICIPALITY

APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDING 30 JUNE 2008

Actual 2007 R		Actual 2008 R	Budget 2008 R
	INCOME		
29 803 675	**Government and Provincial grants and subsidies**	**28 739 157**	**28 782 000**
22 175 285	- Equitable share	19 075 971	19 091 000
5 490 368	-National / Provincial Government	9 663 186	9 522 000
2 138 022	- Public / Local Government	-	169 000
223 730	**Operating Income**	**221 230**	**378 362**
99 045	- General Rates	196 419	295 850
106 244	- Rates Penalties	8 658	52 400
7 455	- Collection Charges	-	-
-	- Water services	-	-
-	- Refuse Removal	14 594	26 992
10 987	- Refuse Penalties	1 560	3 120
-	- Sewerage Conservancy	-	-
832 184	**Other income**	**434 206**	**7 024 955**
427	- Plot Clearing	855	1 710
307	- Hiring of Sportsfield	174	800
5 438	- Market Rental	10 339	6 000
59 208	- Office Rentals	22 887	60 000
-	- Donation Received	-	-
566	- Photocopies	1 166	1 000
-	- Discount Received	-	-
-	- Commission Received	-	-
-	- Telephone(Private Calls)	106	-
2 920	- Billboards Income	32 614	28 980
-	- Transfer from accumulated funds	-	6 861 265
-	- Sale of assets	-	29 000
763 319	- Sundry income	366 065	36 200
1 702 564	Interest earned	**1 828 161**	**384 000**
32 562 153	**TOTAL INCOME**	**31 222 755**	**36 569 317**
	EXPENDITURE		
	OPERATING EXPENDITURE		
11 959 161	Salaries, wages and allowances	13 273 564	13 597 790
-	Water Purchases	-	-
9 389 627	General expenses	9 855 408	8 832 504
188 756	Repairs and maintenance	181 084	175 700
-	Capital charges		-
1 098 572	Contributions to fixed assets	351 459	472 500
16 215 594	Contributions to funds	9 501 952	13 293 315
38 851 710	Gross operating expenditure	33 163 467	36 371 809
-	Less : Amounts recharged	-	-
38 851 710	**Net operating expenditure**	**33 163 467**	**36 371 809**
(6 289 557)	**SURPLUS**	**(1 940 712)**	**197 508**

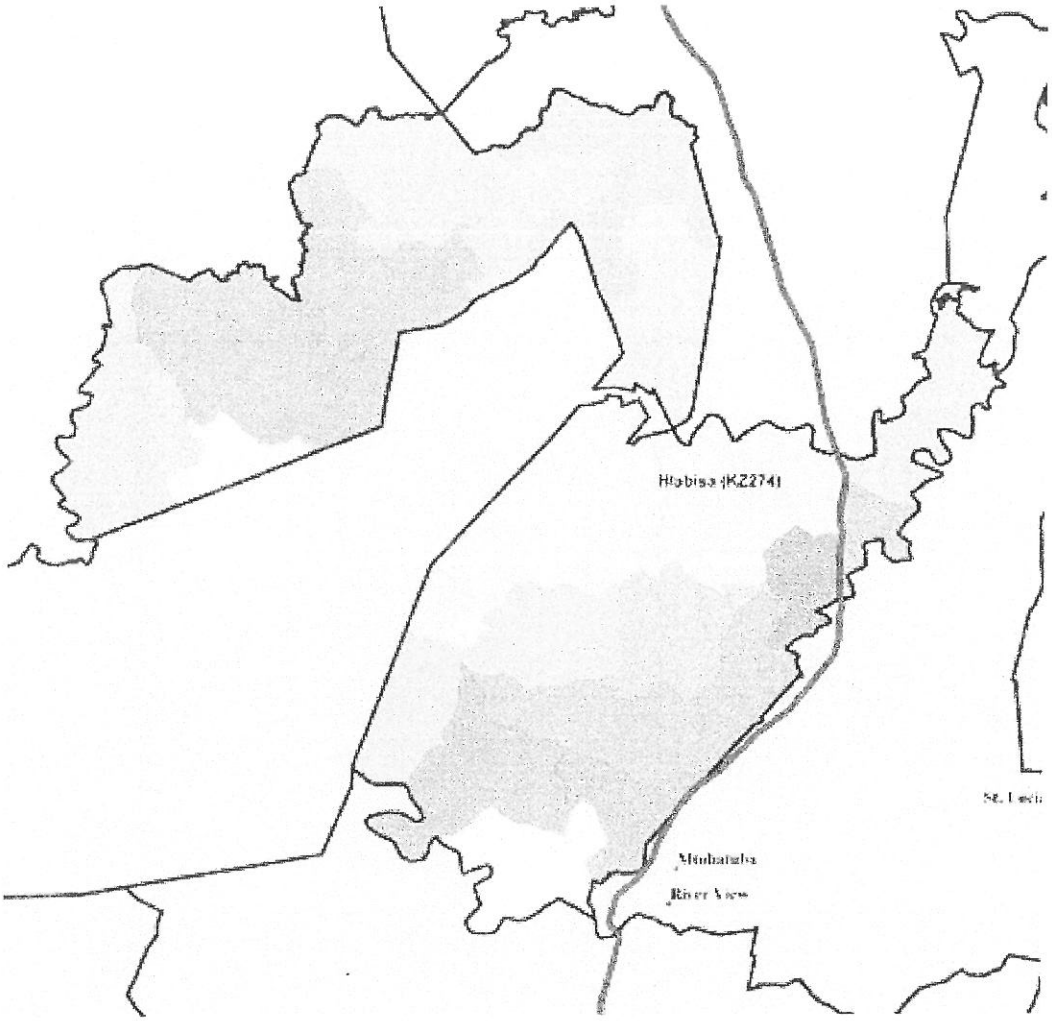
HLABISA MUNICIPALITY

APPENDIX E : DETAILED INCOME STATEMENT FOR THE YEAR ENDING 30 JUNE 2008

	2007 Actual Income R	2007 Actual expenditure R	Surplus/ (deficit) R		2008 Actual Income R	2008 Actual expenditure R	2008 Surplus/ (deficit) R	2008 Budget Surplus/ (deficit) R
	28 708 015	28 507 866	200 149	Executive & Council	25 776 606	21 784 603	3 992 003	-13 018 646
	28 704 784	24 481 757	4 223 027	- Council	25 746 054	18 196 866	7 549 188	-17 960 074
	0	1 553 577	-1 553 577	- Exco	0	0	0	0
	0	0	0	- Finance Portfolio Committee	0	352 521	-352 521	352 521
	0	0	0	- Corporate Services PC	0	0	0	0
			0	- Planning Services PC	0	0	0	0
			0	- Community & Social Serv. PC	0	0	0	0
			0	- Infrustructure Services PC	0	0	0	0
	0	1 830 126	-1 830 126	- Municipal Manager	0	2 900 956	-2 900 956	4 197 530
	3 231	642 406	-639 175	- Corporate Services	30 552	334 260	-303 708	391 377
	0	0	0		0	0	0	0
	3 275 395	4 708 673	-1 433 278	Finance & Administration	2 619 043	5 142 950	-2 523 907	6 596 383
	3 275 395	2 317 775	957 620	- Finance	2 619 043	2 563 857	55 186	1 985 460
	0	1 150 297	-1 150 297	- HR & Administration	0	1 603 587	-1 603 587	2 776 223
	0	293 353	-293 353	- InformationTechnology	0	0	0	130 000
	0	732 613	-732 613	- Property Assessment	0	918 383	-918 383	918 383
	0	214 635	-214 635	- Other Admin	0	57 123	-57 123	786 317
	9 142	372 308	-363 166	Planning & Development	1 149 000	1 249 005	-100 005	442 957
	9 142	372 308	-363 166	- Planning & development	1 149 000	1 249 005	-100 005	442 957
	0	0	0	Health	0	0	0	0
	0	0	0	- Clinics	0	0	0	0
	0	0	0	- Ambulance	0	0	0	0
				- Other	0	0	0	0
	0	1 940 471	-1 940 471	Community & Social Serv.	0	1 708 782	-1 708 782	3 582 057
	0	176 319	-176 319	- Libraries & Archives	0	267 950	-267 950	435 606
	0	0	0	- Meseum & Art gallery	0	0	0	0
	0	0	0	- Other Com. Halls & facilities	0	0	0	0
	0	0	0	- Cemetry & Cremetion	0	0	0	60 000
	0	0	0	- Child Care	0	0	0	0
	0	0	0	- Aged Care	0	0	0	0
	0	1 764 152	-1 764 152	- Other Community	0	1 440 831	-1 440 831	3 086 450
	0	0	0	- Other Social	0	0	0	0
	257 880	257 880	0	Housing	0	0	0	50 000
	257 880	257 880	0	- Housing	0	0	0	50 000
	0	1 140 648	-1 140 648	Public Safety	235 923	1 238 536	-1 002 613	2 173 013
	0	0	0	- Police	0	0	0	0
	0	711 904	-711 904	- Fire	0	794 699	-794 699	1 294 699
	0	428 744	-428 744	- Civic Defence	235 923	443 837	-207 914	878 314
	0	0	0	- Other	0	0	0	0
			0					
	734	692 725	-691 991	Sports & recreation	1 426 029	1 284 170	141 859	222 009
	734	692 725	-691 991	- Sports & Recreation	1 426 029	1 284 170	141 859	222 009
	0	0	0	Environmental Protection	0	0	0	0
	0	0	0	- Polution Control	0	0	0	0
	10 987	617 519	-606 532	Waste Management	16 154	755 422	-739 267	1 600 939
	10 987	617 519	-606 532	- Solid Waste	16 154	755 422	-739 267	1 600 939
	0	0	0	Waste Water Management	0	0	0	0
	0	0	0	- Public Toilets	0	0	0	0
	0	0	0	- Sewerage	0	0	0	0
	0	0	0	- Storm Water Drainage	0	0	0	0
	0	0	0	Road Transport	0	0	0	0
	0	0	0	- Roads	0	0	0	0
	0	0	0	- Parking & Garages	0	0	0	0
	0	0	0	- Vehicle Licensing	0	0	0	0
	0	0	0	Other	0	0	0	0
	0	0	0	Other	0	0	0	0
	32 262 153	38 238 090	-5 975 935	TOTAL	31 222 755	33 163 467	-1 940 712	1 648 712
			-697 983	Appropriations for this year (refer to note)			-2 742 189	
			-6 673 918	Net surplus/(deficit) for the year			-4 682 901	
			1 991 702	Accumulated surplus/(deficit) beginning of the year			-4 682 216	
			-4 682 216	Accumulated surplus/(deficit) end of year			-9 365 117	

HLABISA MUNICIPALITY

STATISTICAL INFORMATION



Total Number of Wards	19
Total Number of Councilors	37
Total population	176890
Total number of registered voters	68532
Total number of voting district	74
Number of employees	56
Number of police stations	2
Number of Medical Facilities	6
Number of Schools	100
Number of square meters	1 417

5 FUNCTIONAL SERVICE DELIVERY

5.1 ADMINISTRATION

5.1.1 Overview

The Executive Department comprises the Municipal Manager's Office and the Mayor's Office. These offices have a Manager each. These two offices are responsible for giving guidance and direction and supervision towards the total functioning of the Municipality. The Office of the Mayor gives the political direction the municipality should take and the one of the Municipal Manager gives administrative leadership of the municipality. It is thus important that the two offices must always work co-operatively if the vision and mission of the municipality is to be achieved.

5.1.2 Description of Activity

The strategic objectives of the Executive Department are linked to the five National Key Performance Areas (KPS's). These are Basic Service Delivery, Institutional Development and Transformation, Local Economic Development, Financial Viability and Management, Good Governance and Public Participation.

The first strategic objective of the Executive department was to ensure the progressive compliance with the institutional and governance requirements in 2007/2008 financial year.

The second strategic objective was to ensure ongoing implementation and review of the performance management system.

The third strategic objective was to source resources and controls in order to meet the annual performance objectives for the municipality.

The fourth strategic objective was to ensure good public relations as well as effective events management and marketing for the municipality.

5.1.3 Key Issues

- Very little revenue based hinders implementation of a number of resolutions.
- The Executive would do better with a Deputy Municipal Manager who would concentrate on administration while the Municipal Manager deals with policy and IGR issues.
- In 2007/2008 the Executive was comprising a lot of new staff and thorough training of this staff needed and was done, even though this needs time for local government issues to be understood.
- The Municipal Manager doubled as the Director Technical Services as from February to June 2008 whiles the Director Technical Services was suspended. This created a lot of pressure and stress to the department as the human resource was not available.
- The Performance Management System is still a serious challenge. (The IDP, budget and PMS coordination was a serious challenge for the Executive Department but now it is implementing PMS that is still a challenge.)

5.1.4 Key Achievements

The Executive Department had an over 90% achievements in its goals in 2007/2008 financial year. This was in spite of challenges where the Municipal Manager had to double as the Director Technical for the better part of 2007/2008 financial year. The department was able to submit the Annual Financial Statements for 2006/2007 on time, was able to ensure that grants expenditure especially MIG was managed properly, compliance with legislation was reasonably achieved and public participation received priority. Our communities were well informed with the new projects coming to them through sod-turning ceremonies and hand over functions. The quarterly newsletters were also reasonably achieved with a circulation of 10 000 copies per quarter. The filling of senior posts was given a priority and we are proud that the success of the municipality is largely dependent on the warm bodies attached to these posts.

5.1.5 Preliminary Plans

The Department intends improving where it had a shortfall in 2007/2008 financial year. The areas of improvement includes the quarterly reporting to council about the performance of the municipality, the continued assessment of the Section 57 employees, the quality of our IDP, the retention of key personnel, the training of our councilors on issues of Local government, and the improved management of our funds which would lead us to unqualified audit report.

5.2 CHIEF FINANCE OFFICE

5.2.1 Overview

The Financial department is responsible for the financial administration, financial control, risk management and financial reporting of the municipality as a whole.

5.2.2 Description of Activity

The services provided by the finance department are as follows:

- Compilation of budget and adjustment budget
- Compilation of financial statements
- Audit reports
- Financial reporting
- Cash flow management and investments
- Debtor management and credit control
- Administration of payroll and creditors
- Supply chain management
- Staff management

All the above services are rendered in house by the finance department staff with the exception of the internal audit function which is outsourced. The main strategic objective of the finance department is to manage and use public funds in an efficient and accountable manner.

5.2.3 Analysis of the function

Departmental staff composition:

NO.	OCCUPATIONAL CATEGORY	NUMBER
1.	Managerial	2
2.	Supervisory	2
3.	Clerical	6
4.	Internship	3

Monthly Debtors Billing:

	Debtors Billings		Interest	Debtors Collections	
Month	Number	Amount (R)	Amount (R)	Number	Amount (R)
July 2007			8,657.69		
August 2007			8,616.30		
September 2007			11,614.44		
October 2007			8,483.36		
November 2007	91	92,004.16	8,485.01	1	56.66
December 2007			8,417.00		
January 2008			9,775.35		
February 2008			9,749.06		
March 2008			9,711.02		
April 2008			9,707.27		
May 2008			9,703.27		
June 2008			9,703.27		

Debtors Analysis: By Age:

Age of Debt	Rates	Refuse	Total
Current	-749.48	-29.44	**-778.92**
30 days	452 328.86	52 634.33	**504 963.19**
60 days	26 484.03	2 387.36	**28 871.39**
90 days	-	-	**-**
120 day +	646 751.24	99 741.65	**746 492.89**
Total Debt	**1 124 815**	**154 734**	**1 279 549**

Bad Debts Written Off:

There are no rates debtors that were written off in the 2007/2008 financial year.

Total Rateable Properties:

Area	Number of Properties	Land Value(R)
Hlabisa Town	47	981 200

Currently only land is rated, but with the implementation of the new Municipal Property Rates Act, both land and buildings will be rated.

Non Rateable Properties:

Description	Number of Properties	Land Value (R)
Churches	3	19 600

Property Valuation:

Area	Type	Date of last Valuation
Hlabisa Town	Land – Residential and Non residential	March 2001

A new valuation roll is in the process of being finalized. This valuation roll will be in line with the new Municipal Property Rates Act. Regular valuations will then be done in accordance with this Act.

Creditors Payments:

The table below represents the five largest creditors in 2007/2008:

No	Creditor Name	Value (R)	Age of Creditor
1	Lakeshore Trading	1,848,860	30 days
2	Rennies Travel	1,745,112	30 days
3	Lamlile Distributors	1,118,939	30 days
4	PAYE	942,926	30 days
5	Rural Metro	905,957	30 days

5.2.4 Key Issues

Low payment factor and educating customers with regards to the benefits of paying for services

- Lack of office space
- Capacitating of existing staff
- Increase the revenue base
- Readiness for the implementation of GRAP
- Full compliance with MFMA and SCM Regulations

5.2.5 Key Achievements

- Compliance with the requirements of the Municipal Finance Management Act with regard to the preparation and submission of monthly budget statements
- Updating of supplier's database for procurement purposes
- The 2008/2009 budget was prepared and submitted in compliance with the Municipal Finance Management Act
- Billing of rates and refuse and updating of consumer details into the billing system
- Appointment of service provider for Information Technology support
- Appointment of Insurance Broker to provide insurance cover for municipal assets
- Bi-monthly departmental meetings and Team-Building Workshops were conducted
- Preparation and submission of Annual Financial Statements for 2006/2007 in time

5.2.6 Preliminary Plans

- Finalisation of Credit Control By-laws
- Updating of the Asset Register and development of the Asset Management Policy
- Resolving of audit queries
- Develop a risk management policy and framework for internal controls
- Capacity building for staff in the department to ensure efficiency and effectiveness

5.3 HUMAN RESOURCES

5.3.1 Overview

Includes all activities relating to the human resource management function of the municipality including recruitment, selection and induction and also performance management systems, code of conduct detail and decision making systems.

5.3.2 Description of Activity

The Corporate Services Department is responsible for the overall administration of the Municipality which includes the following functions:-

- Recruitment and Staff Appointments
- Staff Benefits and Conditions of Service
- Performance Management
- Human Resource Development
- Administrative Support Service
- Communications
- Capacity Building
- Training and Development of Staff, Councillors and Community
- Labour Legislations and Trade Unions
- Disciplinary Action
- Employment Equity
- Archives and Internal Library
- Committee Matters
- Legal Services

The strategic objectives for the Corporate Services Department are:

- To improve the quality and efficiency of the administration component of the municipality.
- To promote public participation in municipal affairs
- To promote good governance

Employee Occupational Categories

No.	Employee Occupational Categories	Occupational Levels	Total	
			Males	Females
1	Legislators **(Municipal Manager)**	Top Management	1	
2	Senior Managers **(Directors & Deputy Directors)**	Senior Management	4	3
3	Managers **(Middle Managers)**	Professionally Qualified	4	2
4	Professionals **(Accountants & Traffic Officers)**	Skilled	2	2
5	Technicians & Associate Professionals **(Technicians & Librarians)**	Skilled	2	1
6	Clerks **(Senior Officers, Officers, Coordinators and Clerks)**	Skilled	11	15
7	Plant and Machinery Operators **(Drivers)**	Semi Skilled	3	
8	Elementary Occupations **(General Assistants and General Workers)**	Semi Skilled	6	3
		TOTAL	32	26
		GRAND TOTAL	58	

5.3.3 Key Issues

- Late coming, AWOL, low staff morale, high labour turn-over
- Limited budget for training and development
- Failure to recruit suitably qualified employees because the Municipality is not offering competitive salary packages.
- No adequate training on the Disciplinary Procedure as well as the Grievance Procedure
- Sitting of meetings for standing Committees of the Council and attendance of meetings by Councillors
- Inability to stage workshops on how managers, officials and councillors are expected to conduct themselves and constantly remind them of the IDP objectives which are the backbone of the efficient running of the Municipality
- Complexity of the PMS which makes it difficult to cascade it to other employment levels.
- Changes in local government legislation which makes it impossible for the Municipality to adapt.
- Changes in local government legislation which requires constant review of policies and procedures.
- Abuse of Municipal vehicles and high accident rate.
- Financial capacity of the Municipality which results to other prioritized activities being rejected.
- Statutory requirements on the compilation of the IDP as well as the involvement of government Sector Departments when it is being prepared.

5.3.4 Key Achievements

The key achievements for Corporate Services Department are as follows:

- Compilation and submission of the Workplace Skills Plan (WSP) and the Annual Training Report (ATR) to LGSETA
- Filling of all vacancies and the development of the Recruitment Strategy
- Establishment of Workplace Forums, Local Labour Forum and the submission of the Employment Equity Act to the Dept of Labour
- Development of the calendar of meetings for the Council and its Committees and the accurate recording of Council resolutions
- Submission of Performance Agreements to DLGTA, submission of quarterly SDBIP reports to Council and the development of Employee Probationary Form
- Staging a Bosberaad meeting where strategies were drawn and agreed upon.
- Development of 37 HR related policies
- Development of a Vehicle usage Policy that guides the utilization of Municipal pool vehicles
- Facilitated the sitting of IDP Forums and monitoring all departmental IDP projects

5.3.5 Preliminary Plans

- To retain employees on critical and scarce skills for the sustainability of the Municipality
- To fill all the skills gaps that have been identified through the Skills Audit
- To review the Municipality's Recruitment Strategy to incorporate new legislative amendments
- Development of the 2009/10 OPMS and Individual Scorecards for Section 57 employees that will be in line with the IDP objectives
- Advertising the commencement of the IDP review on time and facilitate the sitting of IDP Steering Committee and IDP Representative Forum.

5.4 COMMUNITY SERVICES

5.4.1 LIBRARIES

5.4.1.1 Overview

This sub-function is responsible for the provision of library services to the community including information technology.

5.4.1.2 Description of Activity

- Public Participation on the Use of Library and the Resource Centre.
- Registration of members.
- School visits to promote the use of the library.
- Establishment of partnerships with UNIZUL Science Centre and the Dept. Of Education.
- Library Displays on national events.
- Development workshops to enhance the teaching of Science & Technology.
- Competitions to promote reading among primary school learners.

5.4.1.3 Key Issues

- Poor attendance by stakeholders due to breakdown of communication and transport challenges.
- Schools struggle to pay affiliation fee for the use of the Resource Centre, not all schools have registered and affiliated.
- Shortage of vehicles limits the visits to schools. More schools need to be visited as during these visits, some library activities are engaged in (e.g. reading).
- These workshops are attended by too many learners at once and it becomes difficult for individual learners to receive attention; the effectiveness of the workshops is compromised.

5.4.1.4 Key Achievements

- Official opening of Library.
- Appointment of library staff and Cyber Cadet.
- Good partnership established with UNIZUL Science Centre.
- Establishment of the Resource Centre.
- The Mobile Unit from UNIZUL Science Centre visits the library where schools spend at least two full days being empowered in the use of Science & Technology.
- Membership in the library has increased to more than 5000 members in the period of 1 yr. School children enjoy using the library (schools have indicated this by awarding certificates to Hlabisa Library.

5.4.1.5 Preliminary Plans

- To build a fully-fledged Resource Centre.
- To provide internet facilities and train members on the use of the internet.

5.4.2 HALLS

5.4.2.1 Overview

The municipality has the following community halls which are for public use:

- Mgezanhliziyo Hall
- Ward 13 Hall
- Inkanyiso Hall
- Regional Authority Hall
- Mganwini Hall

5.4.2.2 Description of Activity

The main objective of this function is to provide facilities to the community for the purposes of different events.

- Manage the booking of community halls.
- Conduct public participation on the policy to use community halls.
- Manage the cleaning of community halls and their premises.
- Purchase furniture for the community halls.
- Maintain community halls.

5.4.2.3 Key Issues

- The establishment of Management Committees.
- Shortage of furniture.
- No water & electricity in the halls.
- Cleaning of the halls & premises since there is no staff hired for this particular job.
- No security /care-takers hired for each hall.
- Conflict of interest between local leadership and the municipality on the use of halls in some clusters.
- Vandalization of property (eMgeza).
- Only one staff member responsible for Managing the use of community halls.

5.4.2.4 Key Achievements

- Policy on the use of hall accepted and followed in most wards.
- The rate of booking the halls is increasing; almost all halls are booked each weekend.
- Income generated from the booking of halls.
- Although furniture is not enough, we are able to provide it when necessary to all booked halls.

5.4.2.5 Preliminary Plans

- Purchase at least 300 chairs & 4 tables for each hall and then share the furniture among the halls.
- Appointment of care-taker for each hall.
- Conduct consultative workshop with Tribal Councils on the use of community halls.
- Appoint at least i more staff member for the management of community halls.
- Increase budget for repairs of halls to do major repairs on Bazaneni and Ward 6 hall that was inherited from Umkhanyakude.

5.4.3 TRAFFIC

5.4.3.1 Overview

Traffic is a division within the Community Services Department which is responsible for licensing issues.

5.4.3.2 Description of Activity

The functions performed by the Traffic division currently, are as follows:

- Receiving applications for learner's licenses.
- Conduct Examinations for Learner's licences.
- Renewal of PDPs and Driver's licenses.
- Processing applications for Temporary Driver's Licenses

5.4.3.3 Key Issues

- DLTC started very late to operate because of delays in installation of eNatis by the Department of Transport.
- Many applicants were received on each day, resulting in staff working longer hours.

5.4.3.4 Key Achievements

- Since the station started to operate fully, the municipality has been able to generate revenue.

5.4.3.5 Preliminary Plans

- The Appointment of Traffic Officers for Law Enforcement.
- The establishment of Testing Ground.

5.4.4 FIRE

5.4.4.1 Overview

A continuous and integrated multi-sectoral process of planning and implantation of measures aimed at preventing or reducing the risk of disasters, rapid and effective responsive to disasters and post-disaster recovery and rehabilitation.

5.4.4.2 Description of Activity

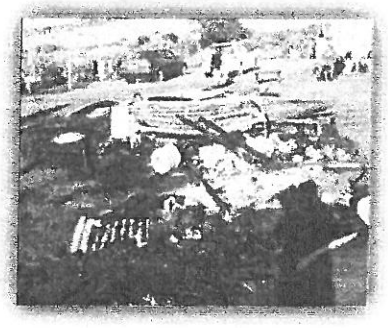
- Fire incidents which can be caused by gas, candles and electricity
- Veld fires – the cause is usually unknown
- Storms, heavy rains and strong winds
- Diseases, e.g. cholera and rabies
- Hazardous incidents, e.g. road accidents and something that can threaten people's lives in public gatherings like food poisoning

5.4.4.3 Key Issues

- These are the key issues for 2007/2008 financial year:
- Insufficient funding to address disaster matters
- People failing to distinguish between normal incidents and disaster
- Cooperation of other government departments in addressing disaster issues

5.4.4.4 Key Achievements

- Distribution of vouchers, tents and blankets to the families affected by veld fire mainly in ward 4,5,7 and 8
- Municipality assisted in burying three members of one family who lost their lives when their house was burnt down into ashes
- We also assisted in burying of two members who lost their lives in the road accidents and two members of other family who were gunned down in Gauteng



5.4.4.5 Preliminary Plans

- Re-establishment and launch of Disaster Advisory Forum
- Establishment of Disaster Management Plan
- Awareness campaigns

5.4.5 SPORTS AND RECREATION

5.4.5.1 Overview

This sub-function is responsible for the planning and coordinating of all sports events within the municipality, with the involvement of other stakeholders, like the District, KZN Sports and Recreation and SALGA.

5.4.5.2 Description of Activity

- Establishing Leagues to promote sport in the wards.
- Planning & Coordinating KWANALOGA activities.
- Sourcing Funding from KZN Sport & Recreation Department

5.4.5.3 Key Issues

- Staff shortages to implement and monitor sport programs in the wards.
- Budget limitations to run sport activities.
- No response from Sport & Recreation on Funding Requests.

5.4.5.4 Key Achievements

- Sport activities staged in all clusters towards eliminations for the selection of Hlabisa Team and participation in KWANALOGA.
- Boxing Ring purchased and launched.
- Participation of Hlabisa Municipality in "Crazy Games" (SABC program)
- Learner from Phunyane accepted at Transnet School of Excellence (Transnet Foundation Project)

5.4.5.5 Preliminary Plans

- Appointment of 2 Sport Development Officers.
- Meeting with KZN Sport & Recreation Department to discuss Funding.
- Capacitation of Sport Administrators and Technical Officials to be able to establish & run leagues in wards.
- Staging sport programs as part of 2010 FIFA World Cup programs
- Introducing Rugby and Cricket in wards.
- Purchasing Grader to help in provision of sport fields in the wards.

5.4.6 SOLID WASTE

5.4.6.1 Overview

This division is responsible for street cleaning and waste disposal.

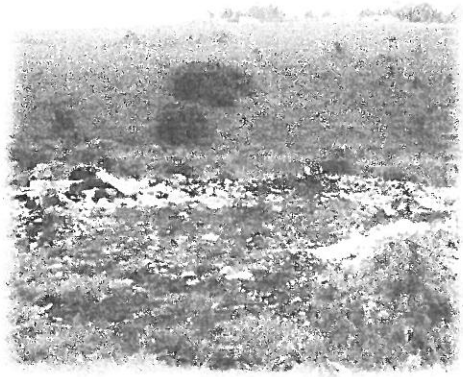
5.4.6.2 Description of Activity

- Refuse Removal in Hlabisa town.
- Managing the Dump site.
- Staging Waste Management Campaigns.
- Managing public toilets in Hlabisa town

These services are currently performed within the town area.

5.4.6.3 Key Issues

- Huge staff shortages.
- Illegal dump site that is not fenced and managed.
- Lack of control measures to regulate Street Trading.



5.4.6.4 Key Achievements

- Cleaning of town by service provider.

5.4.6.5 Preliminary Plans

- Rehabilitation of the Dump Site and the establishment of the Recycling depot in town and Waste Collection points in clusters.
- Purchase of Waste Collection Carts to facilitate refuse collection.
- Beautifying Hlabisa town by planting trees.
- Purchasing the TLB to utilize at the Recycling Depot & Dump site.

5.5 PLANNING AND ECONOMIC DEVELOPMENT

5.5.1 INTEGRATED DEVELOPMENT PLAN

5.5.1.1 Overview

Responsible for Municipal Strategic Planning, which include preparation of the IDP, as well as monitoring of the implementation process and also responsible for PMS

5.5.1.2 Description of Activity

- Preparation of the IDP document.
- Sitting of the Representative Forum Meetings.
- Sitting of the Steering Committee Meetings.
- Staging of the IDP road shows.
- Submission of the Draft and the final IDP to the Department.

5.5.1.3 Key Issues

- The Steering Committee Meetings could not sit on scheduled dates, because of the in availability of senior managers.
- The IDP was treated as the by the way thing in the Municipality.
- The IDP as it suppose, did not tally well with the Budget and the SDBIP.
- We did not meet the Provincial Benchmark of 60%
- Insufficient budget for the IDP.

5.5.1.4 Key Achievements

- The Municipality Met all the submission deadline, which was for the first time.
- Our IDP was assessed with other IDPs and there was a slight improvement in other KPAs
- All Representative meetings sat as per schedule

5.5.1.5 Preliminary Plans

- Prioritisation of the IDP in the Municipality.
- Plan to have a specialised person with PMS so as to be able to align the IDP very well.
- Increase the IDP team within the Municipality.

5.5.2 TOWN PLANNING

5.5.2.1 Overview

Responsible for Land Use Management, development and implementation of town planning scheme, management of GIS , formulation of by-laws, bill boards and outdoor advertising, development administration and approval.

5.5.2.2 Description of Activity

- Implementation of the Town Planning Scheme.
- Ensure compliance with building regulations
- Preparation of the deeds agreement
- Preparation of the lease agreement
- Preparation of the donation agreement
- Disposal of land for development
- Development administration and approvals

5.5.2.3 Key Issues

- The town planning scheme and LUMS were never approved.
- The TPS and LUMS are no longer in line with the development in town.
- Town is invaded with unauthorised developments.
- No rental collection is happening to people who own structures in town with leases.
- Half of town land is invaded.

5.5.2.4 Key Achievements

- Land Disposal Policy has been formulated and it is now implemented.
- There is a standard Donation Agreement Prepared and adopted.
- There is a standard Lease Agreement Prepared and adopted.
- There is a standard deed of sale prepared and adopted.
- Municipality has identified its conveyencers.
- We have been able to recover the land rental which was not paid for a long time by our land leases
- DBSA have deployed two Planners to assist with the planning.
- We have staff complement to have a look at the Town Planning, development administration and development approval issues.

5.5.2.5 Preliminary Plans

- Formulate the TPS and LUMS to be in line with the current situation in Hlabisa.
- Setting up of a GIS as shared services with the District.
- Establishment of a fully fleshed Statutory Planning Unit (Shared Services)
- Registration of the Municipal Designated officer for Development approvals.
- Servicing the town with all bulk services required to enhance development and increase investment opportunities.

5.5.3 LOCAL ECONOMIC DEVELOPMENT

5.5.3.1 Overview

Responsible for local economic development, agriculture and small scale projects, SMME development, attraction of investors to the area of Hlabisa and for the growth of Hlabisa economy.

5.5.3.2 Description of Activity

- Councillors Workshop on LED
- LED Summit
- SMME Development programme (data base development, SMME training and Registration)
- Establishment of partnerships with other stakeholders
- Implementation of LED small scale projects
- Implementation/ investigation of LED anchor Projects
- Establishment of an LED forum
- Resource Mobilisation
- Development of an LED plan

5.5.3.3 Key Issues

- Poor attendance of workshop by councillors.
- Budget constrains in the implementation of the anchor Projects which could have a huge impact.
- Investors are not yet convinced that Hlabisa is the place to invest on.
- Not enough skilled and competent staff to implement LED programmes.

5.5.3.4 Key Achievements

- Hosted councillors workshop on LED
- Hosted and LED summit for the Municipality.
- Developed an SMME support programme
- Trained 100 people on business skills.
- Successfully delivered 19 small scale projects funded by the Municipality.
- Delivered at least 30 small scale projects funded by the District Municipality.
- Identified at least six LED anchor projects to be investigated and implemented.
- Established the LED forum, the Business Forum
- Successfully sourced R980 000-00. To Implement LED projects
- Developed a comprehensive LED plan to be adopted and Implemented.

5.5.3.5 Preliminary Plans

- To adopt and Implement the LED strategy
- To form strong partnership with other stakeholders to implement the LED programme.
- Capacitate the LED staff with required skills to implement the LED programmes.

5.5.4 TOURISM DEVELOPMENT

5.5.4.1 Overview

Responsible for tourism projects, tourism development programes, marketing the area of Hlabisa as a tourist destination area.

5.5.4.2 Description of Activity

- Operating Zamimpilo Information Centre.
- Tourism Development Programme
- Development of Community based tourism projects.
- Establishment of Tourism SMMEs in Hlabisa
- Promotion of Tourism through tourism indaba
- Sending of tourism SMMEs in Indaba / Exhibitions.

5.5.4.3 Key Issues

- Staff shortages to implement and monitor tourism development programmes.
- No linkage of Arts and Culture with tourism

5.5.4.4 Key Achievements

- As tourism programme, we have hosted councillor's workshop on tourism.
- We have also hosted a tourism audit tour with councillors.
- We have started four community tourism projects.
- The information centre is operating as one of the best in the province.
- We have sent our tourism SMMEs to District and Provincial workshops.
- We have sent at least two product owners to the tourism indaba.
- We have held tourism training for SMME.

5.5.4.5 Preliminary Plans

- Developed the LED plan incorporating tourism programmes.
- Develop a separate Tourism Investment Plan and marketing strategy
- Staging tourism programs as part of 2010 FIFA World Cup programs
- Link up with the Department and TKZN as well as Trade and Investment KZN

5.5.5 ARTS AND CULTURE

5.5.5.1 Overview

Co-ordination of cultural activities, heritage development activities, craft development programmes and craft enterprising.

5.5.5.2 Description of Activity

- Establishment of the Arts & Culture local and District forum
- Participation in Provincial Isicathamiya Festival
- Participation of crafters in the Provincial Exhibitions
- Participation on Reeds Dance Ceremony
- Participation on Umkhosi welembe event
- Participation in the district music competition.
- Hosting of Ingoma events during December holidays
- Hosting of local arts and culture show

5.5.5.3 Key Issues

- Insufficient funding for arts and culture activities.

5.5.5.4 Key Achievements

- Well established arts and culture programmes.
- Our crafters were able to have market abroad for their products.
- Won in exhibitions and festivals
- Hosted the first local arts and culture show.

5.5.5.5 Preliminary Plans

- To link our arts and culture programme with the district programme so as to source funding.

5.6 INFRASTRUCTURE SERVICES

5.6.1 ROADS AND STORMWATER

5.6.1.1 Overview

This sub-function is responsible for storm water and roads in the town and rural areas of the municipality.

5.6.1.2 Description of Activity

- Erection and construction of the storm water pipes (SWP)
- Maintenance to storm water pipes (SWP) and municipal roads

5.6.1.3 Key Issues

Technical department needs to establish a maintenance team and equipments for the department.

5.6.1.4 Key Achievements

- We were able to tar the municipal road and erect the storm water pipes in Hlabisa town.
- Taxi rank in ward 18 at Somkhele was completed

5.6.1.5 Preliminary Plans

To construct other roads in Hlabisa Town and other access roads in rural areas

5.6.2 STREET LIGHTING

5.6.2.1 Overview

Responsible for underground cables, street lights, taxi rank and street vendors lights.

5.6.2.2 Description of Activity

- Maintenance of existing street lights in the town
- Construction of underground cables for the installation or erection of the new street lights in the town

5.6.2.3 Key Issues

- Technical Department needs to take off all of the old street lights poles
- The department needs to maintain the lights for the taxi rank and street vendors in the town.

5.6.2.4 Key Achievements

Completion of the street lights phase one projects in the town.

5.6.2.5 Preliminary Plans

The Phase two of the street lights project

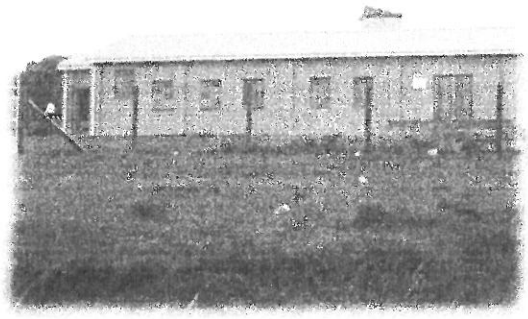
5.6.3 BUILDINGS

5.6.3.1 Overview

- Responsible for Community facilities, Childhood Development Centres and Pay Points

5.6.3.2 Description of Activity

- Monitoring the process of construction
- Monitoring the process of implementation
- Monitoring the process of preliminary designs for projects
- Monitoring and assisting local builders and suppliers



5.6.3.3 Key Issues

- Lack of skills from the Contractors or Service Providers.

5.6.3.4 Key Achievements

In 2007/2008 financial year we were able to complete the following buildings:

- Ezibayeni Multi-Purpose Community Hall.
- Ezibayeni Multi-Purpose Community Hall.
- Mgezanhliziyo Community Hall
- Shayamoya (ward 08) Community Hall
- Nomathiya Community Hall (internal funding)
- Renovation of Nkanyiso Sportfield (KZN Sports and Recreation funding).
- More than 19 Early Childhood Development Centres.
- Ten pay points for our elderly.

5.6.3.5 Preliminary Plans

- Develop the Operation and Maintenance plans

ANNEXURE A

ANNUAL PERFORMANCE REPORT 2007/2008

HLABISA MUNICIPALITY – KZ 274
UMKHANDLU WAKWA-HLABISA

2007/2008
ANNUAL MUNICIPAL PERFORMANCE REPORT

INTRODUCTION AND BACKGROUND

Hlabisa Municipality is one of the Municipalities in KwaZulu Natal that were established in 2000. Its jurisdiction covers Hlabisa Town and four Traditional Areas of Mpukunyoni, Mpembeni, Mdletsheni and Matshamnyama. Its Council strives to provide quality and sustainable services to all its communities and to develop its places optimally.

The Council of Hlabisa Municipality has a responsibility to serve all its stakeholders by delivering quality output and by focusing on development and sustainability. This has been achieved through the guidance of relevant pieces of legislation such as the Constitution of the Republic of South Africa, Act 108 of 1996, the Municipal Systems Act 32 of 2000, Municipal Structures Act 117 of 1998 and the Municipal Finance Management Act 56 of 2003 to mention but a few. Therefore, the mandate of the Council of Hlabisa Municipality will only be derived from meeting the dire needs of the stakeholders, the implementation of its Integrated Development Plan and the implementation of all Council resolutions within reasonable time frames.

The Council is further required by law to ensure that the core-functions which were developed according to the National Government 5-Year Strategic Agenda and delegated to the local government sphere are executed within the current Council's term of office. Consequently, in October 2007, the Council of Hlabisa Municipality adopted its Service Delivery and Budget Implementation Plan (SDBIP) which outlines the quarterly projections and service delivery targets for the Municipality. Thus, the Annual Performance Report for Hlabisa Municipality has been prepared on the basis of all activities that were prioritized in the SDBIP for the 2007/2008 financial year.

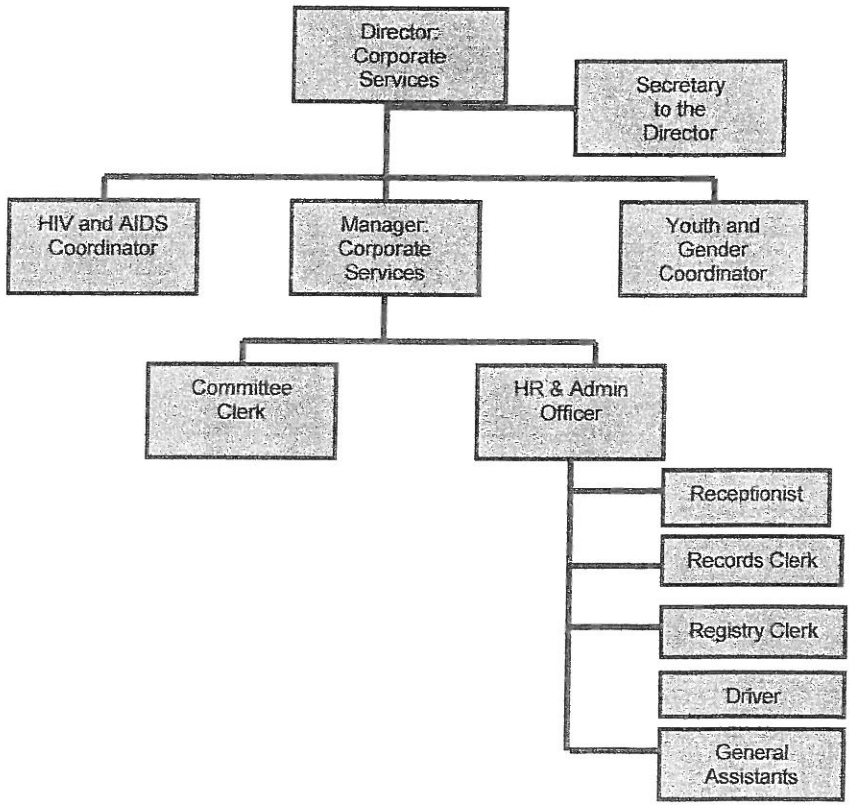
DIRECTORATE: CORPORATE SERVICES

Overview

The Corporate Services Department is responsible for the overall administration of the Municipality which includes the following functions:-

- Recruitment and Staff Appointments
- Staff Benefits and Conditions of Service
- Performance Management
- Human Resource Development
- Administrative Support Service
- Communications
- Capacity Building
- Training and Development of Staff, Councilors and Community
- Labour Legislations and Trade Unions
- Disciplinary Action
- Employment Equity
- Archives and Internal Library
- Committee Matters
- Legal Services
- Election and Training
- Upliftment Programmes

Staff Complement – Corporate Services Department



CHAPTER 1
KPA I – INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

Introduction

The primary objective of this KPA is to ensure that all the necessary resources, capacity building initiatives, policies and procedures and skills development initiatives are provided to staff members for them to have a meaningful contribution to the effectiveness and efficiency of the Municipality in attaining its vision. Thus, it is important that the organizational structure of the Municipality is aligned to its powers and functions, all vacant posts are filled as well as the development of all policies and procedures that are required in terms of the legislation.

Activity	Unit of Measurement	Annual Target	Achieved Target	Comment (s)
Activity I Administration	Sitting of meetings for Council and its Standing Committees	100	82	The Corporate Services Directorate has managed to achieve 82% of its set target on the sitting of Council and Standing Committee meetings. The challenge that made the department not to achieve its target was other Committees who failed to meet the quorum, unavailability of items for discussion during Portfolio Committees and the poor quality of agendas which contributed to meetings not sitting.
	Municipal Organizational Structure and Transformation	14	14	The target was achieved. However, there are eight (8) more positions that were created during the 2007/08 financial year which were also successfully filled which then makes our actual achieve target twenty two (22).
	Job Evaluation Implementation (Development of Job Descriptions and their submission to the PJEC for evaluation)	29	21	All Job Descriptions have been developed but eight (8) of them have not been evaluated by the PJEC.
	Development of a Departmental Business Plan	1	1	The plan was developed and was submitted to all relevant Council structures for approval and adoption.
	Leave Administration	12	12	Leave reports were printed monthly and filed accordingly.
	General Staff Meetings	4	4	Staff meetings scheduled for each quarter were successfully held.
	Effective and efficient control of telephone system	12	9	Print outs of tel-trace reports were printed and given to all code-carriers with the exception of the first quarter when the tel-trace system was not yet installed.
	Management of the Archives Section to ensure its adherence to the provisions of the KZN Archives Act	2	1	Only one inspection was conducted and only 50% of the annual target was reached.
	Submission of Departmental Reports to the Office of the Municipal Manager	4	4	The target was reached
	Ezakwa-Hlabisa Newsletter	4	2	The target was not met because there was no dedicated personnel for the preparation of the Newsletter.
	Provision of Corporate Services Portfolio Committee Agendas	12	12	100% of the annual target was achieved.
Activity II Training & Development	Preparation of the Skills Audit for 2007/8	1	1	The Skills Audit was successfully conducted which serves as a basis for the compilation of the Workplace Skills Plan
	Submission of the 2007/08 Workplace Skills Plan (WSP) and the 2006/07 Annual Training Report	1	1	Both documents were submitted to the Local Government Sector Education & Training (LGSETA) on time
	Local Economic Development (LED) Learnership	19	19	The target was achieved and nineteen learners completed their programme on time. Half-yearly Training Implementation Reports for the Learnership Programme have been submitted to relevant Council structures
Activity III Industrial Relations	Review of Human Resource Policies	1	1	All Municipal HR Policies were reviewed and adopted accordingly.
	Local Labour Forum Meetings	4	3	The annual target could not be reached due to the non-availability of other forum members and pressing issues.

CHAPTER 3
KPA III – BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

Introduction

The primary aim for the development of this KPA was to try and address the apartheid inequalities in the provision of basic services such as water, electricity, sanitation and housing. The Corporate Services Directorate provides Secretarial and Council Support to the Technical Services Directorate during the implementation of all its powers and functions. The Directorate further plays an integral role in the Evaluation and Adjudication of all Bids.

Activity	Unit of Measurement	Annual Target	Achieved Target	Comment (s)
Activity I Bid Committees	Bids evaluated and adjudicated	15	13	94% of the annual target has been achieved
Activity II Secretarial Support	Secretarial support during Professional Service Providers Forum, Housing Forums, Project Management Unit	4	4	100% of the annual target has been achieved
Activity III Council Support	Provision of Quarterly Council Resolutions	4	4	100% of the annual target has been achieved
Activity IV Council Support	Provision of Infrastructure Portfolio Committee Agendas	12	6	Only 50% of the total target was achieved as the Departmental activities were not coordinated correctly since the Director was on suspension.

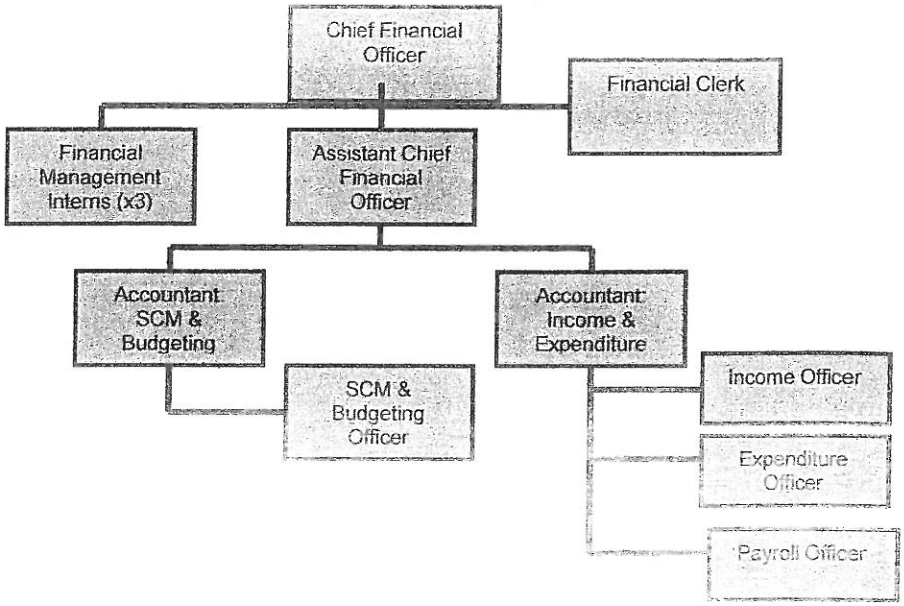
CHAPTER 4
KPA IV – LOCAL ECONOMIC DEVELOPMENT

Introduction

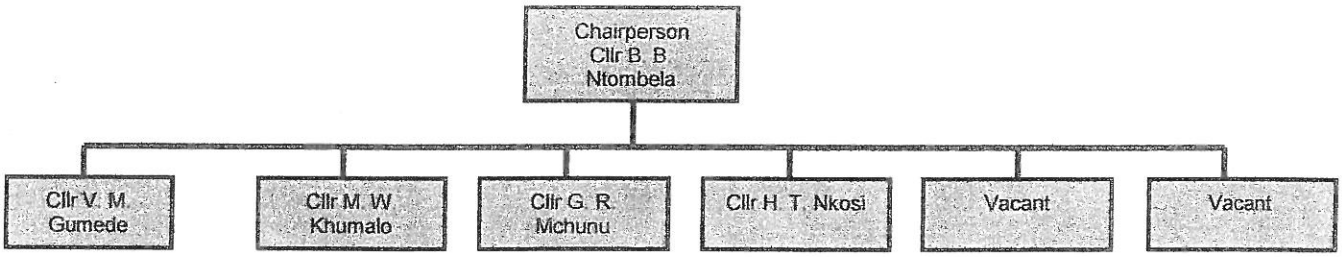
The primary objective of this KPA is to promote the lives of people through Local Economic Development initiatives which are contained in the Municipal LED Strategy. The Corporate Services Directorate provides Secretarial and Council Support to the LED Unit as well as the coordination of IDP meetings

Activity	Unit of Measurement	Annual Target	Achieved Target	Comment (s)
Activity II Secretarial Support	Secretarial support during meetings with Developers	4	4	100% of the annual target has been achieved
Activity III Council Support	Provision of Quarterly Council Resolutions	4	4	100% of the annual target has been achieved
	Provision of Land Planning Portfolio Committee Agendas and Minutes	12	7	Only 50% of the annual target was achieved because the Sub-Directorate was only established in December 2007.
Activity V Integrated Development Planning	Arrangement of IDP Representative Forum Meetings	4	4	100% of the annual target has been achieved
	Arrangement of IDP Steering Committee Meetings	8	3	Only 40% of the annual target has been achieved
	Preparation of adverts for IDP Review and IDP Process Plan (Drafts and Final Documents	2	2	100% of the annual target has been achieved
Activity VI Skills Development & Capacity Building	LED Learnership Programme	1	1	100% of the annual target was achieved
	Workshop for LAP Facilitators	1	1	100% of the annual target was achieved

Staff Complement – Finance Department



Composition of the Finance Committee



3. Analysis of functions

No.	Occupational Category	Number
1.	Managerial	2
2.	Supervisory	2
3.	Clerical	6
4.	Internship	3

4. Key issues

- Low payment factor and educating customers with regards to the benefits of paying for services
- Lack of office space
- Capacitating of existing staff
- Increase the revenue base
- Readiness for the implementation of GRAP
- Full compliance with MFMA and SCM Regulations

CHAPTER II
KPA 2 – INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

The objective of this key performance area is to ensure that the day to day operations and functions are coordinated and administered effectively and efficiently.

Activity	Unit of Measurement	Annual Target	Achieved Target	Comments
Activity I Staff management	Departmental meetings	6	6	Departmental staff meetings were held after every two months. These meetings allowed finance officials to discuss progress and challenges encountered when executing their duties.
	Feedback on Job Descriptions	11	11	Job descriptions for all posts are in place with the exception of the post of Financial Controller which was created late during the year.
	Conduct team building exercise	2	2	Team building workshops were conducted during September and March.
Activity II Office equipment and furniture	Purchase of office equipment	R90,500	R53,148	The 58% of expenditure on office equipment is for additional computers and office furniture.

CHAPTER III
KPA 3 – LOCAL ECONOMIC DEVELOPMENT

The objective of this key performance area is to promote local economic development in order to improve the lives of the people of Hlabisa.

Activity	Unit of Measurement	Annual Target	Achieved Target	Comments
Activity I Provide support to SMME businesses	Timely payment of creditors	100%	94%	Creditors were paid twice a month in order to support small businesses. About 6% of creditors were outstanding at year end.
	Procurement from local businesses	60%	40%	About 40% of all procurement was done from businesses within the municipality especially catering and construction work.

CHAPTER IV
KPA 4 – FINANCIAL MANAGEMENT AND VIABILITY

The objective of this key performance area is to ensure that the municipality remains viable, transparent, credible and well managed in terms of finances and compliance with the MFMA. To ensure that all financial management systems and policies and procedures are best practice.

Activity	Unit of Measurement	Annual Target	Achieved Target	Comments
Activity I Monitor and control the Treasury Department	Submission of monthly financial reports	12	12	All monthly financial reports were prepared including income and expenditure reports and monthly ledger.
	Monthly Bank Reconciliations	12	12	Bank Reconciliations were done for all months.
	Quarterly financial reports	4	4	Quarterly reports were prepared and submitted to National Treasury and Provincial Treasury.

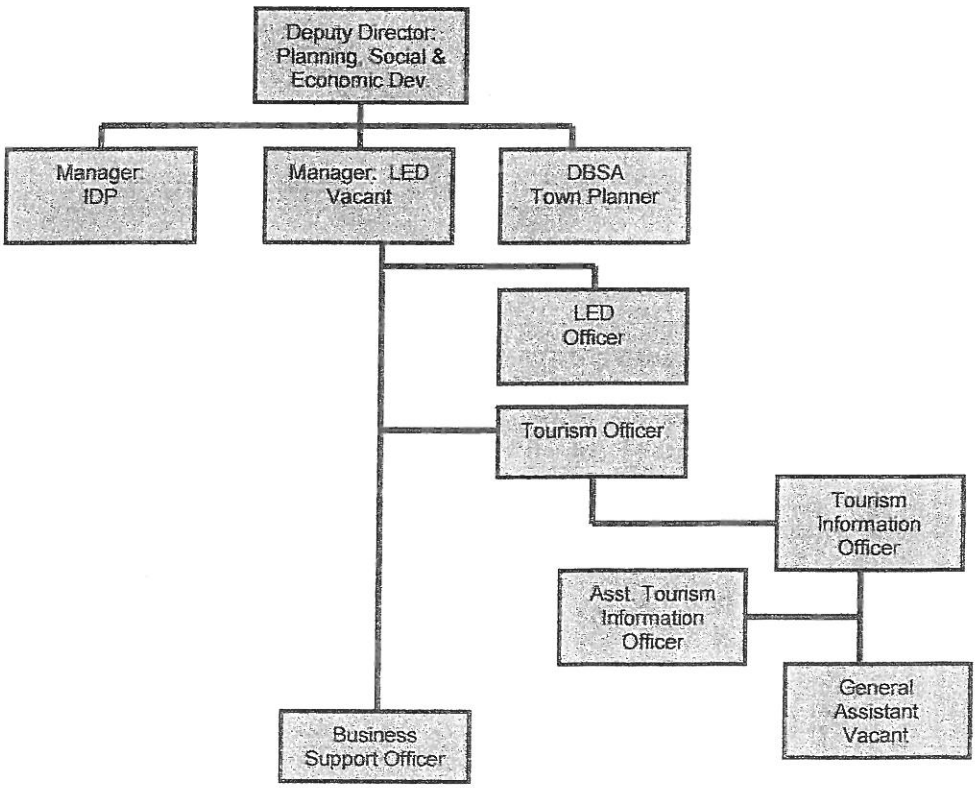
SUB-DIRECTORATE: PLANNING, SOCIAL & ECONOMIC DEVELOPMENT

Overview

The Planning, Social & Economic Development Sub-Directorate is responsible for the following functions:-

- Integrated Development Planning
- Land Use Management System
- Town Planning
- Municipal Planning
- Industrial Development Planning
- Billboards, Displays of advertisement in public areas
- By-laws
- Environmental Affairs
- Cemeteries, Funeral Parlours and Crematoria
- Municipal Airport
- Child Care Facilities
- Arts & Culture
- Primary Health Care Centers
- Crafts
- Agriculture
- Gender Equity

Staff Complement – Planning, Social & Economic Development Sub-Directorate



CHAPTER 2
KPA II – BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

Activity	Unit of Measurement	Annual Target	Achieved Target	Comment (s)
Activity I Small infrastructure Projects for Poverty alleviation	Building of market stalls	3	3	The projects were 100% completed.
	Irrigation Systems	2	2	The target was achieved.
	Building of ECD Centers / Child Care Facilities	31	28	The target was achieved but there are three ECD centers which are not finished. Those are ward 15 which is 80%, ward 14- Mshaya which is 85% and ward 7- Mphunduma which is 95%
	Business Centre	1	1	The target was not fully achieved because the building is 99% complete.
Activity II Big Infrastructure Projects	Bakery Project	1	0	There has been a delay in the Construction of this project. Site clearance was done and Contractor appointed.

CHAPTER 3
KPA III – LOCAL ECONOMIC DEVELOPMENT

Activity	Unit of Measurement	Annual Target	Achieved Target	Comment (s)
Activity II SMME Development	Number of SMMEs Trained	100	100	This target was achieved. The municipality got assistance from the development agency and IDC to train SMMEs on Basic Business Skills. Further to this training there was also one month training of Co-operatives where we sent ten SMMEs for that training which was sponsored by Department of Economic Development.
	Data base development	1	1	This target was achieved. There is now a database for SMMEs with 88 SMMEs. The database has got all the information required by the municipality in the development of SMMEs.
	Number of SMMEs sent to Workshops	10	06	Six SMMEs were sent to Provincial business Fair Workshop.
	Technical Skills training	25	25	The target was to train SMMEs in their specialized fields. So we were able to train 25 SMMEs doing catering.
Activity III Tourism Development	Tourism indaba	1	1	The target was achieved. One tourism SMME was sent to participate in tourism indaba.
	Zamimpilo Information Centre fully operational	1	1	The target was achieved. The information office is fully staffed with qualified officers. There is working equipment for the staff in the office.
	Municipal Small Scale/ Poverty alleviation Projects	19	19	This target was achieved. The municipality has been successful in the delivery of small scale projects in each ward of the Municipality.
	District Small Scale/ Poverty Alleviation Projects	38	30	The target has not been fully met. The projects have been delivered but there have been some challenges with other projects. As a result some projects are still outstanding.
	Project preparation- feasibility studies, business plans	3	3	The projects are still under implementation and the closes out reports are expected to be ready by end of October 2008. The projects are: Mpembeni Game Lodge, Nkundusi Lake view lodge as well as the Establishment of Accommodation and Conference facility in Hlabisa Town.

CHAPTER 5
KPA V – GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Activity	Unit of Measurement	Annual Target	Achieved Target	Comment (s)
Activity I Integrated Development Planning	Preparation of IDP	1	1	The target was achieved, we managed to meet the required dates for the preparation and adoption of the IDP
	Advertisement of IDP	1	1	An advert was submitted to both local news papers which is Ilanga and Zululand Obsever
	Submission of IDP	2	2	Submission was done in June as required by the Legislation
Activity II IDP Meetings	IDP Steering Committee Meetings	8	6	Six meetings took place; some of the meetings were missed due to the unavailability of members.
	IDP Representative Forum Meetings	4	4	This target was met. All the IDP Representative Forum meetings were held.
Activity III IDP Road Shows	IDP Road Shows hosted	2	2	This target was met. The municipality successfully hosted two IDP road shows.
Activity IV Environmental Camps	School participation in environmental camps	4	4	The target was met. The Municipality together with the District as well as KZN Wild life was able to send four schools to Hluhluwe Umfolozi Game Park for a weekend to attend an environmental camp.

DIRECTORATE: TECHNICAL SERVICES

Overview

The Technical Services Directorate is responsible for the following functions:-

- Electricity
- Water and Sanitation
- Housing
- Municipal roads
- Street Lighting
- Pontoons and Ferrees
- Provision of Markets
- Sports Facilities
- Fencing
- Storm water
- Infrastructure Provision

Departmental team building	Meeting			
Project implementation meetings	Minutes/ Reports			
IDP Steering Committee	Meeting	8	8	Target achieved
Business plan	Registration	18	18	Target achieved
Project Manager's appointments and registration to MIG	Reports			

CHAPTER 2
KPA II – FINANCIAL MANAGEMENT AND VIABILITY

Activity	Unit of Measurement	Annual Target	Achieved Target	Comment (s)
Activity I Facilitate the provision of project cash flow from PSP'S	Facilitation of project cash flow	R 5,607,760.08	R 5,607,760.08	100% of the annual target achieved
Activity II Preparation of the annual cash flow document	Annual Cash flow document	18	18	100% of the annual target achieved
Activity III Bid Committee meetings	Meeting	18	18	100% o the annual target achieved

CHAPTER 3
KPA III – BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

Activity	Unit of Measurement	Annual Target	Achieved Target	Comment (s)
Activity I Municipal Infrastructure Grant (MIG) Projects	Ezibayeni Multipurpose Centre	100%	100% complete	Target achieved
	Mgezahlizinyo Community Hall	100%	80% complete	Target not achieved
	Kwa-Mshaya Community Hall	100%	40% complete	Target not achieved
	Ward 015 Community Hall	100%	40% complete	Target not achieved
	Construction Ward 019 Community Hall	100%	40% complete	Target not achieved
	Nhlonhlweni Community Hall	100%	10% complete	Target not achieved
	Shayamoya Community Hall	100%	70% complete	Target not achieved
	Ndonga Community Hall	100%	40% complete	Target not achieved
	Mcwakwini community Hall	100%	20% complete	Target not achieved
	Mfekayi Community hall	100%	80% complete	Target not achieved
	Ablution for Somkhele Taxi Rank	100%	20% complete	Target not achieved

	Enqopheni Orphan Centre	100%	100% complete	Target achieved
	Ninela Crèche	100%	100% complete	Target achieved
	Ogengele Crèche	100%	100% complete	Target achieved
	Emapheleni Crèche	100%	100% complete	Target achieved
	Isigcino Crèche	100%	100% complete	Target achieved
	Emapheleni Pay Point	100%	100% complete	Target achieved
	Phaphamani Pay point	100%	100% complete	Target achieved
	Vulinqondo Crèche	100%	100% complete	Target achieved
	Fukula Crèche	100%	100% complete	Target achieved
	Kwa-Myeki Crèche	100%	100% complete	Target achieved
	Ensolweni Crèche	100%	100% complete	Target achieved
	Thandolwesizwe Crèche	100%	100% complete	Target achieved
	Esihlakaneni Crèche	100%	100% complete	Target achieved

CHAPTER 4
KPA IV – LOCAL ECONOMIC DEVELOPMENT

Activity	Unit of Measurement	Annual Target	Achieved Target	Comment (s)
Activity I Internally funded / LED Projects 2007/2008	Monthly and Quarterly report for monitoring the progress of Internal Projects.	59	53	90% of the target has been achieved.
	Local Economic Empowerment	200	177	85% of the target has been achieved since local builders and local suppliers were appointed during the implementation of all projects.
	Skills Transfer	200	200	100% of the annual target has been achieved.
	Employment of Local Labour	118	118	100% of the annual target has been achieved.

Activity II Municipal Infrastructure Grant (MIG) Projects 2007/2008	Monthly and Quarterly report for monitoring the progress of MIG Projects.	19	0	The annual target was not achieved due to the late registration of projects with MIG and the subsequent late appointment of Project Social Facilitators.
	Local Economic Empowerment	57	7	Only 5% of the annual target was achieved since the local contractors were not meeting the bidding requirements set by Hlabisa Municipality.
	Skills Transfer	38	38	100% of the annual target was achieved.
	Employment of Local Labour	114	114	100% of the annual target was achieved.
Activity III Project Consolidate Projects 2007/2008	Monthly and Quarterly report for monitoring the progress of Projects Consolidate Projects.	3	1	Only 40% of the target was achieved as only one Project Consolidate funded project was implemented (Electrification of Mandozi area). The other two projects are still at a facilitation stage.
	Local Economic Empowerment	3	0	The annual target was not achieved since local contractors are not meeting the bidding requirements that are set out for Hlabisa Municipality.
	Skills Transfer	4	4	100% of the annual target has been achieved.

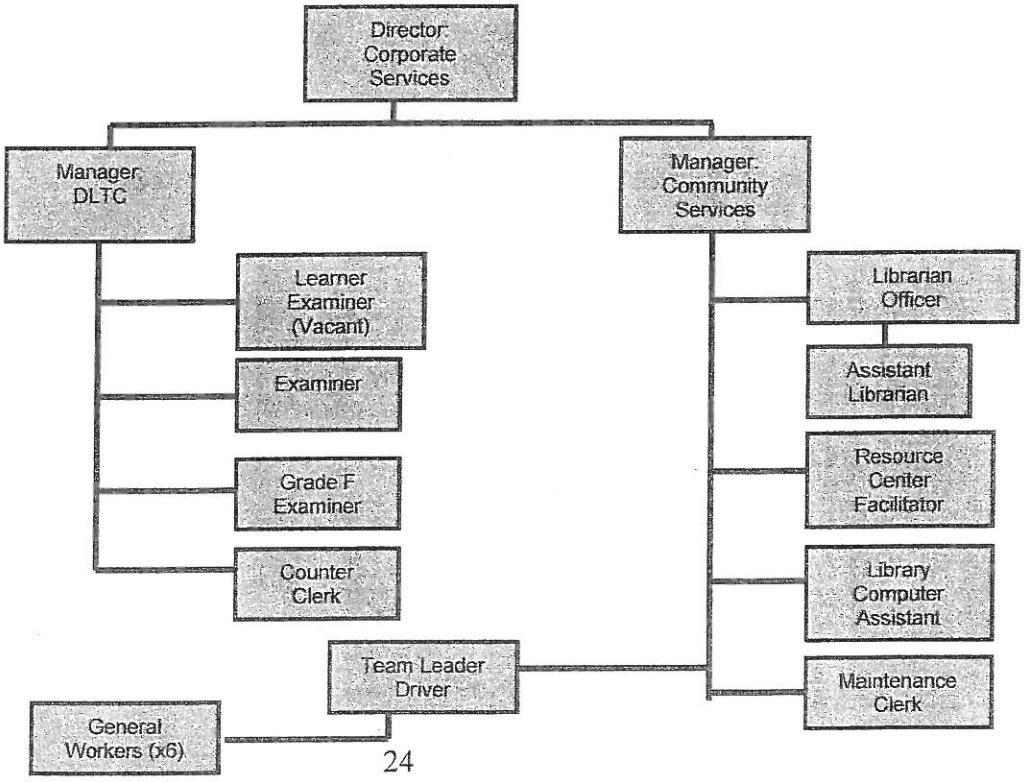
DIRECTORATE: COMMUNITY SERVICES

Overview

The Community Services Directorate is responsible for the following functions:-

- Public Transport
- Protection Services
- Traffic and Parking
- Fresh Produce Market
- Fire Fighting
- Libraries and Community Halls
- Sport & Recreation
- Solid Waste Management
- Parks and Amusement Facilities
- Trade Regulations
- Public Toilets and Cleansing
- Control of Public Nuisance
- Control of undertakings to sell liquor to the public
- Facilities for the accommodation, care and burial of animals
- Licensing of dogs
- Municipal abattoirs
- Noise Pollution
- Pounds
- Public Places
- Refuse Removal
- Street Trading
- Public Participation

Staff Complement – Community Services Department



CHAPTER 3
KPA III – LOCAL ECONOMIC DEVELOPMENT

Activity	Unit of Measurement	Annual Target	Achieved Target	Comment (s)
Activity I Training of caterers	Number of all registered caterers trained as per the provision of Health Environment legislation.	?	Achieved	All caterers were trained in all nodal points with an assistance of Health Environmental practitioners.
Activity II Informal Trading	Allocation of market stalls to all informal traders.	All informal traders allocated to their market stalls. Figure Required	Not achieved (% required)	The market stalls were to be rehabilitated prior to allocation. The recommendation from the Planning and Social Development was to wait for rezoning of the town.

CHAPTER 4
KPA IV – FINANCIAL MANAGEMENT AND VIABILITY

Activity	Unit of Measurement	Annual Target	Achieved Target	Comment (s)
Activity I Submission of developmental budget input	Document submitted	1	1	The departmental budget input was submitted for the compilation of the draft and final budget.

CHAPTER 5
KPA V – GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Activity	Unit of Measurement	Annual Target	Achieved Target	Comment (s)
Activity I Social Development	Compilation of Indigent register.	1	0	This is a shared service. The district municipality is facilitating the compilation of the indigent register.
Activity II ID Campaigns	Number of ID Campaigns held	19	19	The Community Services Directorate achieved its annual target for ID campaign since it was held in all wards.
Activity III Voter Registration Campaigns	Number of Voter Registration Campaigns held	19	4	10% of the annual target was achieved. The challenge was the shortage of IEC staff to facilitate the whole process.
Activity IV Public Safety	Establishment of Driving license Testing Centre.	1	1	The Community Services Directorate has achieved its target since the DLTC was registered as grade E DLTC and is operating.
Activity V Public Participation	Road Shows on the public facilities available from the Municipality	4	3	75% of the target was achieved.
Activity VI Sport and Recreation	Participation in KwaNaloga games.	To have different teams participating in the District elimination games. (figure required)	Yes (Figure required)	The Community Services Directorate has achieved its set target. The elimination games were done from ward level and cluster level where players to represent Hlabisa Municipality were selected.

ANNEXURE B

MANAGEMENT LETTER – AUDIT REPORT

The Accounting Officer
Hlabisa Municipality
P O Box 387
Hlabisa
3987

31 October 2008

Reference: 21273REG07-08

Dear Sir

MANAGEMENT REPORT ON THE REGULARITY AUDIT AND THE REVIEW OF PERFORMANCE INFORMATION OF HLABISA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

INTRODUCTION

1. We have completed the audit of the financial statements of Hlabisa Municipality for the year ended 30 June 2008. This management report is provided to the accounting officer and communicates any matters that came to our attention during the audit which, in our opinion, are relevant to the municipality.

AUDITOR'S RESPONSIBILITY

2. Our responsibility is to express an opinion on the financial statements and to report on findings related to our review of performance information.

3. Our audit was conducted in accordance with the International Standards on Auditing read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008.

4. The auditing standards require us to plan and perform the audit as well as to obtain all the information and explanations that we consider necessary in order to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by fraud or error. This involves performing procedures to obtain assurance about the amounts and disclosures in the financial statements.

5. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments we consider the internal controls relevant to the preparation and presentation of the financial statements. Our audit also includes evaluating the appropriateness of the accounting policies and the reasonableness of the accounting estimates made by management, as well as the overall presentation of the financial statements.

SIGNIFICANT FINDINGS FROM THE AUDIT

Qualifications

15. We have qualified our audit opinion on the following matters:

Fixed assets register does not reconcile to the general ledger

The fixed assets general ledger balance of R30 352 476 does not reconcile to the fixed assets register amount of R26 278 680 which results in a difference of R4 073 796. Based on the fixed assets register the fixed assets balance disclosure in the annual financial statements is overstated by the above difference.

Unverifiable fixed assets

The fixed assets balance disclosure in the annual financial statements includes an asset that we could not verify. This asset is listed in the Fixed Assets Register with a description of "development" at an amount of R 2 900 153.

Inadequate provision for doubtful debts

We were not provided with a calculation of provision for doubtful debts. The municipality rolled forward the prior year balance. The municipality does not have a policy for provision for doubtful debts. The debtors balance of R1 279 549 as disclosed in note 8 to the annual financial statements contained debtors of R786 142 which have been outstanding for more than twelve of which no payment have been received against these debtors.

Debtors Value Added Tax
The municipality has a long outstanding value added tax receivable of R5 894 533 from South African Revenue Services. We are of the opinion that the recoverability of this amount is uncertain as it an accumulative amount from the 2003 to 2008 financial year.

Unauthorised expenditure
The municipality has overspent its allocated reserves and funds by R1 470 416. This over expenditure is deemed to be unauthorised. Furthermore this over expenditure has not been disclosed correctly in the annual financial statements as it is reflected as debit balances in the reserves and funds disclosure.

Going concern

16. The municipality incurred a net loss of R4 682 901 for the year ended 30 June 2008 (2007: R6 673 918). Furthermore, the municipality statutory funds are not adequately cash backed and the municipality is reliant on funding from equitable share to pay for it expenses in the normal course of operations. In addition, an analysis of its own income revealed that 42.5% of the municipality's income of R31.2 million is allocated to employee and consultant costs. As a result of the above the extent to which effective service delivery is achieved is questionable.

The statutory funds and reserves and trust funds balances of R21 783 903 are not backed by sufficient concomitant assets as required by the MFMA. The shortfall amounts to R13 306 734.

Internal controls – root causes

17. Section 62(1) (c) (i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the qualified opinion. The root

Reporting item	Fixed assets register does not reconcile to the general ledger	Unverifiable fixed assets	Prior doubtful debt provision	Bank reconciliation
financial reporting risks to achieve predetermined financial reporting objectives. Control activities: policies, procedures and practices that ensure management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out. Information and communication: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties. Monitoring: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.				

Non-compliance with applicable legislation

18. Municipal Systems Act, 2000 (Act No – 32 of 2000) (MSA)

- Management of the municipality did not, for the 2007/2008 financial year, implement the performance measurements system establishment.
- We were not given a performance report as required by section 46 of the MSA and therefore could not perform any review on it.

Matters of governance

19. Section 122(3) of the MFMA requires that the financial statements be prepared in accordance with generally recognised accounting practice. Fundamental to achieving this is the implementation of certain key governance responsibilities, which we have assessed as follows:

No.	Matter of governance	Yes	No
	Audit committee		
1(a)	The municipality had an audit committee in operation throughout the financial year.	√	
1(b)	The audit committee operates in accordance with approved, written terms of reference.	√	
1(c)	The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	√	
	Internal audit		
2(a)	The municipality had an internal audit function in operation throughout the financial year.	√	
2(b)	The internal audit function operates in terms of an approved internal audit plan.	√	
2(c)	The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.	√	
	Other matters of governance		
3	The annual financial statements were submitted for audit as per the legislated deadlines section 126 of the MFMA for municipalities and municipal entities.	√	
4	The annual report was submitted to the auditor for consideration		√

Under accrual of creditors

Dr Operating expenses	R1 108 522	
Cr Creditors		R1 108 522

Trade creditors were under accrued. This is a correcting journal entry to adjust for the under accrual.

Unverifiable creditors balance

Dr Creditors	R649 802	
Cr Operating expenses		R649 802

There was no supporting documents obtained for these creditors. This is a correcting journal entry to write of the unverifiable creditors.

Hlabisa municipality debtor

Dr Operating expenses	R173 735	
Cr Debtors		R173 735

The debtors' age analysis contained Hlabisa municipality as one of the debtors. These debtors could not be reliably verified. This is correcting journal entry to write off the unverifiable debtors.

Misstatements not corrected

21. Management did not process any adjustments on the misstatements listed below. Management is of the view that these misstatements will be corrected as they have employed an accounting firm that will be implementing the assets management system.

Fixed assets register does not reconcile to the assets register

Dr Operating expenses	R4 073 796	
Cr Fixed assets		R4 073 796

Unverifiable fixed assets

Dr Operating expenses	R2 900 153	
Cr Fixed assets		R2 900 153

Please refer to paragraph 15 for detailed explanation.

Debt collection/Material electricity and water inventory losses

22. The municipality's debt collection policy is not effective as there are debtors totalling R786 142 which has been outstanding for longer than twelve months; no payments have been made against these accounts. Lack of debtor's collection affects working capital availability and also threatens the ability of the municipality to continue as a going concern. We have reported on the going concern issue above.

Performance information

23. The municipality did not submit performance information to us, and therefore we could not perform any audit procedures as required.

SUMMARY OF AUDIT FINDINGS

Page. no.	Finding	Classification	Control Component	Impact on audit report						Reported in previous years	In which years was it reported		
				Qualification	Emphasis of matter	Other matters	Other reporting responsibilities	Other important matters	Administrative matters		2006/07	2005/06	2004/05
MATTERS AFFECTING THE AUDIT REPORT													
Fixed assets													
14.	Fixed assets register does not reconcile to the general ledger	Control	Control Activities	√						Yes	√	√	√
15.	Unverifiable fixed assets	Control	Control Activities	√						No			
Accounts Receivable													
16.	Provision for doubtful debts	Control	Control Activities	√						No			
17.	Long outstanding debtors	Control	Control Activities	√						No			
18.	Doubtful value added tax	Control	Control Activities	√						No			
Statutory funds, trust funds and reserves													
19.	Statutory funds, trust funds and reserves are not cash backed	Control	Control Activities			√				No			
21.	Reserves and trust funds overspent	Control	Control Activities			√				No			

Page. no.	Finding	Classification	Control Component	Impact on audit report				Other important matters	Administrative matters	Reported in previous years	In which years was it reported		
				Qualification	Emphasis of matter	Other matters	Other reporting responsibilities				2006/07	2005/06	2004/05
	unemployment insurance fund	Compliance	Activities										
Financial statement errors													
30.	Appropriation account	Control	Control Activities					√		No			
31.	Petty cash	Control	Control Activities					√		No			
32.	Debtors age analysis	Control	Control Activities					√		No			
33.	Salary suspense account	Control	Control Activities					√		No			
34.	Mtubatuba municipality	Control	Control Activities					√		No			
35.	Capital development fund	Control	Control Activities						√	No			
36.	Inconsistencies and grammatical errors	Control	Control Activities						√	No			
37.	Notes to the annual financial statements	Control	Control Activities						√	No			
Bank and cash													
38	Bank reconciliation does not agree to the general ledger	Control	Control Activities					√		No			
ADMINISRTATIVE MATTERS													
39.	Valuation roll use by the municipality has not been updated	Control	Control Activities						√	No			
40.	Missing manual copies of journal entries	Control	Control						√	No			

MATTERS AFFECTING THE AUDIT REPORT

ANNEXTURE A

FIXED ASSETS

1. **Fixed assets register does not reconcile to the general ledger**

Audit Finding

The balance per the general ledger does not agree with the fixed assets register balance as at 30 June 2008. The general ledger balance is R30 352 476 whereas the balance per the fixed assets register is R26 278 680. Therefore the general ledger appears to be overstated by an amount of R4 073 796.

Root Cause

Reconciliations were not undertaken between the fixed assets register and the general ledger to ensure that the fixed asset register was valid, accurate and complete.

Risk

Due to the lack of internal controls, the fixed assets register may contain assets which do not exist and hence this raises concern about the reliability of the fixed assets register and ultimately the fixed assets numbers reflected in the annual financial statements. Furthermore internal control deficiencies are not identified and corrected in a timely manner.

Recommendation

Management should design and implement adequate internal controls, fixed assets management policy which should enable, amongst other things, the performance and review of the reconciliation of the fixed assets register to the general ledger on a monthly basis. Any differences should be followed up immediately and should it be necessary, appropriate adjustment should be processed.

Management response

Agree with the finding

This is a recurring error from prior year which was caused by the change in accounting systems. The error has been corrected by adding assets that were not included in fixed asset register and by correcting assets understated in the asset register. A schedule of these assets is attached for reference.

Name: B M Thusi
Position: Chief Financial Officer
Date: 06 November 2008

Auditor's Response

Management comment have been noted, the matter has been reported in the audit report as we could not reliably corroborate the management comments. A follow up on the progress made in this area will be performed during the next audit.

4. Provision for doubtful debts

Audit Finding

We were not provided with a calculation of provision for doubtful debts. The municipality rolled forward the prior year balance. The municipality does not have a policy for provision for doubtful debts. We could therefore not quantify the misstatement in the provision.

Root Cause

Lack of debtors management policy that provides plausible method of calculating the doubtful debtors provision.

Risk

The provision for doubtful debt is understated and hence the debtors balance is potentially overstated.

Recommendation

Management must regularly review the debtor's age analysis on a monthly basis to monitor the payment history of debtors and identify delinquent debtors. Management should assess the financial ability of all debtors who are over due. If management assessment is that there will be no financial ability to pay the amount due, then the debtor should be provided for.

Management response

Agree with the finding.

A provision of R170 000 has been made for doubtful debts as it was provided in the 2007/2008 budget. This amount was estimated at 20% of long outstanding debtors since the municipality does have a policy for such.

Name: B M Thusi
Position: Chief Financial Officer
Date: 17 November 2008

Auditor's Response

Management comments have been noted. A follow up on the progress made in this area will be performed during the next audit.

Date: 17 November 2008

Auditor's Response

Management comments have been noted. A follow up on the progress made in this area will be performed during the next audit.

STATURTORY FUNDS, RESERVES AND TRUST FUNDS

7. Statutory funds, Reserves and Trust funds are not cash backed

Audit Finding

The municipality statutory funds, reserves and trust funds are not adequately backed by concomitant assets. The shortfall is presented as follows:

Cash and cash equivalents	(R1 635 452)
Investments	R10 067 621
Total	R **8 432 169**
Accumulated funds	R1 599 155
Reserves	R10 630 798
Trust funds	R9 508 950
Total	R21 739 903
Difference	(R13 306 734)

Root Cause

Lack of internal controls which include the preparation of reconciliation of each grant received to the actual bank balance for that particular grant, also a lack of internal control that enable the municipality to ensure that the grants receipts and expenditures thereof are always backed by sufficient cash at all times.

Risk

Non compliance with the contractual obligations related to funds obtained, which results in unauthorised expenditure.

Recommendation

The municipality should put controls in place that will ensure that the funds and reserves are cash backed. These controls should be reviewed by management at regular intervals to ensure their relevance.

Management response

Agree with the finding.

This is the result of MIG funding being transferred late into the municipality's account. We use to prepare all MIG payments in advance and only wait for the money to be transferred before we can release the cheques. These cheques are recorded in our books as soon as they are prepared. At the same time we cannot raise MIG as a debtor since we are not using our money to pay for MIG projects. This must be avoided in the future.

Name: B M Thusi
Position: Chief Financial Officer
Date: 06 November 2008

Auditor's Response

Management comments have been noted. A follow up on the progress made in this area will be performed during the next audit.

Auditor's Response

Management comments have been noted.

RELATED PARTIES

1. Councilors declaration of interest

Audit Finding

The following Hlabisa Municipality (the municipality) councillors have not declared their interest in municipal contracts.

ML Zulu
MV Khumalo
HT Nkosi
MJ Mbatha
JM Zungu
PK Msweli
VT Mantengu
SH Mngomezulu
HP Mayise
MS Gumede
TW Ndaba
MD Hlabisa
SM Langa
LX Mkhwanazi
SD Sibisi
SJ Mthethwa
ZW Mathonsi
HG Mavimbela
BC Gumede

Root Cause

Policies and procedures were not adhered to for timeous declaration of councilor's interest in municipal contracts on an annual basis, this is indicative of inadequate management review and control.

Risk

The municipality will be perceived to lack transparency in the municipal affairs which is in contravention of the MFMA requirements.

Recommendation

Councillors should complete an annual declaration of interest in contracts.

Management response

Agree with the finding. Councillors will be requested to complete declaration of interest forms and the declaration register will be updated on a regular basis.

Name: B M Thusi
Position: Chief Financial Officer
Date: 06 November 2008

Auditor's Response

Management comments have been noted. A follow up on the progress made in this area will be performed during the next audit.

3. No VAT registration number of tax invoice (continued)

(f) the quantity or volume of the goods or services supplied;
(g) either—
(i) the value of the supply, the amount of tax charged and the consideration for the supply; or
(ii) where the amount of tax charged is calculated by applying the tax fraction to the consideration, the consideration for the supply and either the amount of tax charged, or a statement that it includes a charge in respect of tax and the rate at which the tax was charged.

Root Cause

Lack of internal control systems within the municipality that would ensure adherence to VAT Act.

Risk

The municipality may incur penalties and interest as a result of non compliance with applicable laws and regulations.

Recommendation

Management must review all the VAT invoices that gave rise to input tax for compliance with section 20(4) of the VAT act.

Management response

Agree with the finding.

This is the error that needs to be corrected. Training has been arranged for finance staff on VAT legislation to avoid such mistakes in the future.

Name: B M Thusi
Position: Chief Financial Officer
Date: 17 November 2008

Auditor's Response

Management comments have been noted. A follow up on the progress made in this area will be performed during the next audit.

HUMAN RESOURCES

5. Excessive Leave days

Audit Finding

On inspection of the leave days records we noted that the leave days of the employees detailed below exceeded the maximum limit of 48days as required by section 7(5) of SALBC agreement.

Employee name	Leave days
WM Ntombela	49
MS Buthelezi	51
LB Qwabe	49
BF Hlabisa	109
SA Ngwenya	63
MP Mwelase	78
BM Thusi	65
FXH Mhlongo	66
PC Zungu	52

Root Cause

Human resource policies and practices have not been effectively implemented to ensure that employees are encouraged to take leave as soon as their leave balances approach the limit.

Risk

Non compliance with Basic Conditions of employment Act (BCOE). The excessive leave days may lead to excessive pay outs should any of the above employee resign and that would constitute fruitless and wasteful expenditure on the part of the municipality.

Recommendation

Employees should be requested to take leave if their leave balance exceeds the 48days limit as set by SALBC.

Management response

Agree with the finding.

All people with excessive leave were advised in August to make arrangements to take leave.

Name: B M Thusi
Position: Chief Financial Officer
Date: 06 November 2008

Auditor's Response

Management comments have noted. A follow up on the progress made in this area will be performed during the next audit.

FINANCIAL STATEMENTS ERRORS

7. Appropriation account

Audit Finding

The appropriation account contained an unexplained amount of R36 392.

Root Cause

Controls over information processing, including checks on data capture and accounting for transactions were not present.

Risk

The income statement and accumulated deficit may be misstated by the unexplained amount of R36 392.

Recommendation

Management must regularly review the general ledger transactions for economic sense and traced them to valid supporting documentation. This is to ensure that all processed entries are supported by valid documentation.

Management response

The recommendation will be implemented going forward.

Name: B M Thusi
Position: Chief Financial Officer
Date: 17 November 2008

Auditor's Response

Management comments have noted. A follow up on the progress made in this area will be performed during the next audit.

9. Debtors age analysis

Audit Finding

The debtors ageing information provided in note 8 to the annual financial statements does not tie to the actual debtors age analysis provided to us.

Root Cause

Management did not continually monitor the quality and accuracy of the information captured.

Risk

The provision for doubtful debt assessment may be adequately performed as the ageing of debtors is incorrect.

Recommendation

Management should develop a debtor's policy that will deal with debtor's collection and provision for doubtful debts.

Management response

This is a related system problem; we have been in contact with the service provider to resolve the problem. Management will follow up on the matter in due course.

Name: B M Thusi
Position: Chief Financial Officer
Date: 17 November 2008

Auditor's Response

Management comments have been noted. A follow up on the progress made in this area will be performed during the next audit.

11. Mtubatuba municipality

Audit Finding

A cheque of R656 791 issued to Mtubatuba municipality in 2005 financial year has never been presented for payment by Mtubatuba municipality as it still reflected as an amount owing. This is long outstanding creditor which is indicative of lack of management review and control of key account.

Root Cause

Ongoing monitoring of general ledger activity as well as supervisory reviews was not undertaken.

Risk

Lack of follow up of creditors may result in a settlement on the part of the municipality which will amount to fruitless and wasteful expenditure.

Recommendation

The municipality should follow up on all its long outstanding creditors to avoid penalties and interest for late payment.

Management response

This matter will be followed up with the Mtubatuba municipality.

Name: B M Thusi
Position: Chief Financial Officer
Date: 17 November 2008

Auditor's Response

Management comments have been noted. A follow up on the progress made in this area will be performed during the next audit.

13. Inconsistencies and grammatical errors

Audit Finding

The following inconsistencies and grammatical errors were identified:

- The general information on page 2 mentioned that the total number of councilors is 36 while the treasurer's report on page 5 and statistical information on page 27 states that the number of councilors is 37.
- The approval of annual financial statements on page 2 mention that the municipal manager approved the annual financial statements sets out on pages 5 to 27; however there is no page 27.
- The foreword on page 3 contains spelling errors, contradicting statements and grammatical errors.
- The treasurer's report in page 5 in the operating results, reported that the 2007 expenditure was R38 851 710 while the reported expenditure in the income statement for the 2007 financial year is reported as R32 238 090.
- The treasurer's report in page 7 reported that the total investments for the 2007 financial year was R22 764 863, while the reported investments in the balance sheet as at 30 Jun 2007 is R22 678 006.
- The treasurer's report in page 7 reported that the Trust Funds for the 2007 financial year was R14 736 528 while the reported Trust Fund in the balance sheet as at 30 June 2007 is R15 010 527.

Root Cause

Management did not continually monitor the quality and accuracy of the information captured.

Risk

Annual financial statements contains contradicting information and grammatical errors which may mislead the user of the annual financial statements.

Recommendation

Proper reviews the annual financial statements should be prepared by the person independent of the preparer. This is to ensure that the information contained in the annual financial statement is valid, accurate and complete.

Management response

The recommendation will be implemented going forward.

Name: B M Thusi
Position: Chief Financial Officer
Date: 17 November 2008

Auditor's Response

Management comments have been noted. A follow up on the progress made in this area will be performed during the next audit.

BANK AND CASH

15. Bank reconciliation does not agree to the general ledger

Audit Finding

The ABSA bank account reconciliation to the general ledger contained an unreconciled difference of R 61 537.

Root Cause

Documentation of transactions and other significant events is not complete and accurate to facilitate tracing of the transaction or event and related information from authorisation and initiation, through its processing, to after it is completed.

Risk

Bank balance may be under or overstated or misappropriation of cash resources may not be detected in time.

Recommendation

Management should ensure that the bank account reconciliation to the general ledger is performed on a monthly basis and any long outstanding reconciling items are followed up.

Management response

Agree with the finding.

This is an error that needs to be corrected. Investigation will be done on the differing amount and corrected so. The Assistant Chief Financial Officer will review all monthly bank reconciliations to avoid such in the future.

Name: B M Thusi
Position: Chief Financial Officer
Date: 06 November 2008

Auditor's Response

Management comments have been noted. A follow up on the progress made in this area will be performed during the next audit.

2. Missing Manual Copies of Journal Entries

Audit Finding

There was a gap in the sequence of journals that were tested. We could not list the actual gaps as there we several gaps identified from different files.

Root Cause

Lack of internal controls which include management supervision and ensure that every transaction is backed by valid supporting documentation and that all the supporting documentation is filed safely and kept in a secure area. This is indicative of inadequate management review and control.

Risk

Invalid journal entries could be processed as no support is kept for journals processed.

Recommendation

Agree with the finding.

Sometimes there is no sequence in numbering our journals as they are prepared by different people but we have developed a journal book where we will record all journals prepared.

Name: B M Thusi
Position: Chief Financial Officer
Date: 17 November 2008

Auditor's Response

Management comments have been noted. A follow up on the progress made in this area will be performed during the next audit.

4. Non existence of register of rental deposits and receipts

Audit Finding

The municipality does not keep a register of rental receipts and deposits. Thus the completeness of the rental receipts and deposits is not accounted for. As there was no register kept, there is also no reconciliation between the register and general ledger to ensure that rentals received recorded is complete and accurate.

Root Cause

Documentation of transactions and other significant events is not complete and accurate to facilitate tracing of the transaction or event and related information from authorisation and initiation, through its processing, to after it is completed.

Risk

This increases the risk that rental received is misstated. Furthermore this also increases the risk that should there be unrecorded rental receipts, VAT output on those rentals is not being provided for and hence possible contravention of the VAT Act.

Recommendation

There should be a register of rental receipts and deposits. Reconciliation between the said register and the amount in the GL should be performed on a monthly basis.

Management response

Agree with the finding.

This register will be kept for reconciliation purposes and will be reviewed on a monthly basis.

Name: B M Thusi
Position: Chief Financial Officer
Date: 17 November 2008

Auditor's Response

Management comments have been noted. A follow up on the progress made in this area will be performed during the next audit.

6. **No exceptions reports are produced by the accounting and payroll system**

Audit Finding

The accounting and payroll systems, Abacus and Payday respectively, do not have a function of running and printing exception reports which detail access violations and attempted access violations. This control is critical for management to identify instances of illegal access and to prevent fraudulent activities going undetected. Management comment is noted and accepted.

Root Cause

Lack of effective implementation of the information technology policy in place.

Risk

Access violation may not be detected.

Recommendation

The system used by the municipality should have such functionality in order to ensure that no illegal access is obtained by unauthorized users.

Management response

Agree with the finding.

Consultation will be done with the system service provider if the system can perform such function.

Name: B M Thusi
Position: Chief Financial Officer
Date: 17 November 2008

Auditor's Response

Management comments have been noted. A follow up on the progress made in this area will be performed during the next audit.

ANNEXURE C

AUDIT COMMITTEE REPORT

2008

Audit Committee Report

Report on the outcome of Hlabisa Municipality audit

This report inform the Council of the outcome of audit by Auditor General and possible recommendation that need to be adopted by management and Council.

DC27 Audit Committee
Hlabisa Municipality
28/11/2008

Consequently, debtors are overstated and provision for doubtful debt is understated by R786 142.

The municipality is urged to draft a policy on provision for doubtful debt and the CFO must engage with the AG and have a common understanding in terms of what can be considered as an appropriate provision.

Debtors

4. The municipality has a long outstanding value added tax receivable of R5 894 533 from South African Revenue Services. We are of the opinion that the recoverability of this amount is uncertain as it is an accumulative amount from the 2003 to 2008 financial year.

   Consequently, debtors are overstated and provision for doubtful debt is understated.

The municipality needs to engage with SARS in order to reconcile municipality books with the records of SARS and determine what is correct amount owed by SARS.

Unauthorised expenditure

13 The municipality has overspent its allocated reserves and funds by R1 470 416. This over expenditure is deemed to be unauthorised. Furthermore this over expenditure has not been disclosed correctly in the annual financial statements as it is reflected as debit balances in the reserves and funds disclosure.

   Consequently expenditure is overstated and accumulated surplus is understated by R1 479 416.

Over expenditure may not necessary be unauthorised expenditure, the municipality needs to ensure that it has sufficient budget to support all required expenditure. Duly authorised documents that support this expenditure must be made available to auditors.

Conclusion

We would like to thank the Municipal Manager and his management team for support received during our meetings.

I would also like to convey my appreciation to Melanie Bruno and team of auditors for their guidance in our role of ensuring proper governance and effective financial management within the municipality

Sincerely

Dumisani Dlamini

DC27 AUDIT COMMITTEE